

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended March 31, 2018
or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.
Commission file number: 0-27266

WESTELL TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3154957
(I.R.S. Employer
Identification No.)

750 North Commons Drive, Aurora, Illinois 60504
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (630) 898-2500

Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, \$.01 par value

Name of each exchange on which registered:

NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/> (Do not check if a smaller reporting company),	Smaller Reporting Company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The estimated aggregate market value of voting and non-voting Class A Common Stock held by non-affiliates (within the meaning of the term under the applicable regulations of the Securities and Exchange Commission) as of September 30, 2017 (based upon an estimate that 73% of the shares are so owned by non-affiliates and upon the average of the high and low prices for the Class A Common Stock on the NASDAQ Global Select Market on that date) was approximately \$26 million. Determination of stock ownership by non-affiliates was made solely for the purpose of responding to this requirement and registrant is not bound by this determination for any other purpose.

As of May 14, 2018, 12,243,927 shares of the registrant's Class A Common Stock were outstanding and 3,484,287 shares of the registrant's Class B Common Stock (which automatically converts on a one-for-one basis into shares of Class A Common Stock upon a transfer of such stock except transfers to certain permitted transferees) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2018 Annual Stockholders' Meeting are incorporated by reference into Part III hereof.

WESTELL TECHNOLOGIES, INC.
2018 ANNUAL REPORT ON FORM 10-K CONTENTS

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained herein that are not historical facts or that contain the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “may,” “will,” “plan,” “should,” or derivatives thereof and other words of similar meaning are forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those expressed in or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, product demand and market acceptance risks, customer spending patterns, need for financing and capital, economic weakness in the United States (U.S.) economy and telecommunications market, the effect of international economic conditions and trade, legal, social and economic risks (such as import, licensing and trade restrictions), the impact of competitive products or technologies, competitive pricing pressures, customer product selection decisions, product cost increases, component supply shortages, new product development, excess and obsolete inventory, commercialization and technological delays or difficulties (including delays or difficulties in developing, producing, testing and selling new products and technologies), the ability to successfully consolidate and rationalize operations, the ability to successfully identify, acquire and integrate acquisitions, effects of the Company’s accounting policies, retention of key personnel and other risks more fully described in this Form 10-K for the fiscal year ended March 31, 2018, under Item 1A—Risk Factors. The Company undertakes no obligation to publicly update these forward-looking statements to reflect current events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or otherwise.

Trademarks

The following terms used in this filing are our trademarks: ClearLink®, Kentrox®, Optima Management System®, UDIT®, WESTELL TECHNOLOGIES®, and Westell®. All other trademarks appearing in this filing are the property of their holders.

PART I

ITEM 1. BUSINESS

Overview

Westell Technologies, Inc., (the Company) was incorporated in Delaware in 1980 and is headquartered at 750 North Commons Drive, Aurora, Illinois 60504. The Company is a leading provider of high-performance wireless infrastructure solutions focused on innovation and differentiation at the edge of communication networks where end users connect. The Company’s portfolio of products and solutions enable service providers and network operators to improve performance and reduce operating expenses. With millions of products successfully deployed worldwide, the Company is a trusted partner for transforming networks into high-quality reliable systems.

Segment Reporting

The Company has three reportable operating segments: In-Building Wireless (IBW), Intelligent Site Management and Services (ISMS), and Communications Network Solutions (CNS).

IBW Segment

The IBW segment solutions enable cellular coverage in stadiums, arenas, malls, buildings, and other indoor areas not served well or at all by the existing "macro" outdoor cellular network. For commercial service, the IBW segment solutions include distributed antenna system (DAS) conditioners and digital repeaters. For the public safety market, the IBW segment solutions include half-watt and two-watt repeaters and a battery backup unit. The Company’s IBW segment also offers ancillary products that consist of passive system components and antennas for both the commercial and public safety markets.

ISMS Segment

The ISMS segment solutions include a suite of remote units which provide machine-to-machine (M2M) communications that enable operators to remotely monitor, manage, and control site infrastructure and support systems. Remote units can be and often are combined with the Company’s Optima management software system. The Company also offers support services (i.e., maintenance agreements) and deployment services (i.e., installation).

CNS Segment

The CNS segment solutions include a broad range of outdoor network infrastructure offerings consisting of integrated cabinets, power distribution products, copper and fiber connectivity panels, T1 network interface units (NIUs), and tower mounted amplifiers (TMAs).

Industry Trends and Market Solutions

In-Building Wireless (IBW)

IBW solutions, including DAS and small cell installations, have increased dramatically in the last decade, driven by the trend where more and more mobile communication use is taking place indoors. Recent studies show that over 80% of all mobile communication now either originates or terminates from within buildings. More people are using mobile devices and data-intensive services in areas such as stadiums, arenas, malls, universities, hospitals, airports, resorts, convention centers, office buildings, and other indoor areas not served well or at all by the existing "macro" outdoor cellular network. As end-user bandwidth demands continue to increase, the greater the demand for reliable networks that can manage the increased coverage and capacity requirements.

In addition to the increase in commercial use of mobile devices indoors, demand is also increasing for in-building wireless coverage for the public safety sector. First responders, such as firefighters, police and other law enforcement officers, and emergency medical service (EMS) personnel, are also in need of more modern high-bandwidth mobile communication capabilities beyond the traditional two-way land mobile radios (LMRs). More and more local municipalities with jurisdiction to define in-building public safety coverage are requiring public safety mobile communication coverage in buildings. Additionally, at the federal level, the First Responder Network Authority (FirstNet) radio spectrum was recently awarded to AT&T to build-out the first nationwide broadband public safety network, which can carry high-speed data, location information, images, etc.

Our IBW solutions include:

- **DAS Conditioners (*Commercial Market*)** - These units attenuate the high-powered radio frequency (RF) source from base transceiver system (BTS) to lower-powered RF required for the DAS. We offer both passive and active DAS conditioners, both of which can accommodate the majority of North American wireless service provider's frequency bands, with numerous port configuration options. Our active DAS conditioner, the Universal DAS Interface Unit (UDIT), is also a remotely manageable, high density, space saving unit with additional advanced features like spectrum analysis and tone generators to help test and analyze RF signal measurement data.
- **Repeaters (*Commercial Market*)** - These units provide a means to amplify and appropriately filter the RF signal from a cell site, providing the additional power and improved signal to noise performance necessary to optimize wireless service seamlessly throughout a building or structure.
- **Repeaters (*Public Safety Market*)** - For the past two years, we have also been offering repeaters specifically for the public safety market. While these products perform essentially the same function as commercial repeaters, they are dedicated only to public safety frequency bands that are distinct from commercial service, and meet the strict National Fire Protection Association (NFPA) regulatory requirements.
- **Battery Backup Unit (*Public Safety Market*)** - During fiscal year 2018, we introduced our NFPA-compliant battery backup unit. NFPA requires up to twenty-four hours of battery backup for public safety equipment, such as repeaters. Broadening our product portfolio is an important step toward our goal of offering a comprehensive solution for the in-building public safety market.
- **Passive System Components and Antennas (*Commercial and Public Safety Markets*)** - We offer a variety of passive system components (couplers, duplexers, splitters, filters, and tappers) for use in both commercial and public safety in-building wireless systems to direct and condition energy flow for specific frequency bands. We also offer a broad line of donor and coverage antennas to support in-building wireless communication.

Intelligent Site Management and Services (ISMS)

Communication service providers and cell tower operators were initially focused on network coverage, then priority shifted to network availability and capacity continues to be a primary concern. With the continual requirements to managing faster speeds and higher capacity, more intelligence continues to be moving to the network edge (e.g., cell sites and in-building systems). This has increased the importance of the edge support infrastructure, such as environmental controls, power systems, and security.

Our ISMS solutions provide M2M communication, enabling operators to remotely monitor, manage, and control critical infrastructure and ensure the continued health and success of the network. The four important areas of focus include:

- **Environmental management:** heating, ventilation, and air conditioning (HVAC) monitoring/energy monitoring/control, environmental monitoring, and aircraft warning light (AWL) management.
- **Power management:** AC and DC power monitoring, AWL management, battery monitoring, fuel monitoring, generator management, hybrid power management, rectifier monitoring, and tenant power monitoring.
- **Security management:** access management, asset tampering, and surveillance management.

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- Communications management: microwave, DAS, and small cell management.

Our ISMS solution features the Westell Remote suite of products and the Optima management system for a complete view and understanding of site assets remotely (i.e., without a site visit). This enables the ability to more cost-effectively monitor, troubleshoot, and correct problems with network infrastructure before service affecting outages occur.

Our solutions reduce network operating costs; improve network performance, including quality, reliability, and availability; and improve site security.

Communication Network Solutions (CNS)

Building a communications network that can sustain harsh environmental conditions, while providing the required reliability to keep customers happy, can be a challenge, especially while trying to minimize costs. Whether it's an industrial, utility, transportation, or telecommunications network, the connections between devices must effectively, efficiently, and safely carry and process signals throughout the infrastructure (cables, racks, enclosures, power distribution, etc.) while providing remote management capabilities.

Our CNS segment provides a comprehensive range of solutions to connect nearly any outdoor building or facility, including:

- **Integrated Cabinets** - Includes outdoor cabinets for sheltering and protecting equipment and maintaining proper operating temperature, enclosures for protecting equipment, and a "one-stop shop" for complete turnkey solutions of customer-specified equipment integrated and installed in the Company's cabinet.
- **Power Distribution Panels** - Includes temperature-hardened fuse panels and breaker panels for installation in equipment racks to connect up to bulk power circuits and distribute power to other equipment via individual power feeds.
- **Copper/Fiber Network Connectivity** - A flexible portfolio of standard relay rack mount panels and wall mount enclosures for Ethernet, fiber, or coax cables to facilitate easy and simple splicing, terminations, or handoffs.
- **T1 NIUs** - Includes network interface devices with performance monitoring features, line repeaters, and protection panels.
- **TMA's** - outdoor hardened units mounted on cell towers, enabling wireless service providers to optimize the overall performance of a cell site, including increasing data throughput and reducing dropped connections.

Customers

The Company's principal customers include communications service providers, systems integrators, neutral host operators, and distributors. Service providers include wireless and wireline carriers, cable or multiple systems operators (MSOs), and Internet service providers (ISPs).

Continuous industry consolidation among North American service providers continues to reduce the number of customers for our products and solutions. As a result, the Company depends on fewer, but larger customers for the majority of its revenues. The Company's largest two customers, Verizon, and AT&T accounted for 18.0% and 12.5%, respectively, of the Company's consolidated revenues in fiscal year 2018.

Customers outside North America, which are primarily located in Australia, Latin America including Mexico, and South Africa, represented an aggregate total of approximately \$5.4 million and \$5.8 million of the Company's revenues in fiscal years 2018 and 2017, respectively, which represents approximately 9.2% and 9.3% of the Company's total revenues in such years.

Sales and Customer Support

We sell our products and solutions through our field sales organization, distributors, and partners. Customer contracts are primarily pricing and technical specification agreements that detail the commercial terms and conditions for sales. These agreements typically do not obligate the customer to a specific volume of purchases over time. The agreements may require the Company to accept returns of products within certain time limits, or indemnify customers against certain liabilities arising out of the use of the Company's products and solutions. If these claims or returns are significant, there could be a material adverse effect on the Company's business and results of operations.

Often, customers require vendor approval before deployment of products and solutions in their networks. Evaluation can take as little as a few months for products, but often longer for new products, solutions, and technologies. Accordingly, the Company is continually submitting successive generations of its current products and solutions, as well as new offerings, to its customers for approval.

We provide customer support, technical consulting, research assistance and training to some of our customers with respect to the installation, operation, and maintenance of our products.

Most of our products and solutions carry a limited warranty ranging from one to seven years, which generally covers defects in materials or workmanship and failure to meet published specifications, but excludes damages caused by improper use. In the event there are material deficiencies or defects in our design or manufacture, the affected products and solutions could be subject to recall.

Supply Chain

With the exception of power distribution panels, which are manufactured in-house, we outsource manufacturing to both domestic and international contract manufacturers (CMs). Some products, such as integrated cabinets, TMAs, remotes, and public safety products, undergo final top-level assembly and testing at our Aurora, Illinois facility. Within the IBW segment, UDIT and commercial repeaters are fully outsourced, including final top-level assembly and testing, at a CM located in Tilton, New Hampshire. Within the ISMS segment, remotes are manufactured at another CM located in Oak Creek, Wisconsin. In fiscal year 2018, Westell spend at our two largest CMs by dollar value were \$8.3 million and \$3.7 million.

Reliance on third-party CMs involves risks. Standard commercial components available from multiple suppliers are procured by the CMs. In some cases, where there are single-sourced components and technology needed, the Company has direct supplier relationships and contracts for these items, and may maintain inventory for these items at the CMs locations. Critical components, technology shortages, or business interruptions at our CMs could cause delays that may result in expediting costs or delayed or lost business.

A substantial portion of the Company's shipments in any fiscal period can relate to orders received in that period. Further, a significant percentage of orders may require delivery within forty-eight hours. To meet this demand, we maintain inventory at our own facilities and at the CMs. Because of rapid technological changes, we face recurring risks that our inventory may become obsolete.

Research and Development

We believe our ability to maintain technological capabilities through enhancements of existing offerings and development of new products and solutions that meet market demands and customer needs is a critical component for success. We therefore expect to continue to devote resources to research and development (R&D). In fiscal years 2018 and 2017, the Company's R&D expenses were approximately \$7.4 million and \$12.4 million, respectively.

During the first half of fiscal year 2017, the majority of our R&D expense was for the continued development of ClearLink DAS within the IBW segment. Development of ClearLink DAS began in fiscal year 2016 and was to be a complete DAS (head-ends and remotes) intended to grow the Company's revenue, as it would have enabled the Company to access a larger market than the market for stand-alone DAS conditioners. On July 27, 2016, as part of an \$11 million expense reduction plan, the Company announced that, based on its more recent analysis of the market and expected return, it was ceasing development of ClearLink DAS. During the second half of fiscal year 2017, the Company significantly reduced all of its costs and expenses in line with current revenues, including a substantial reduction in R&D, mostly from the discontinuance of ClearLink DAS.

The Company's R&D personnel are organized by segment, with each business responsible for sustaining technical support of existing products and solutions, conceiving new products in cooperation with other functions within the Company, and adapting standard products or technologies to meet new market demands and customer needs. Additionally, in an effort to remain a highly valued, superior quality, long-term supplier, each segment is charged with reducing product costs for each succeeding generation of products without compromising functionality or serviceability. The teams leverage the Company's relationships with its CMs and suppliers to achieve these cost reduction objectives.

Our quality systems and product development processes are registered to ISO9001:2008 International Quality System Standard and TL9000, which is the Telecommunication Industry's sector-specific version of the ISO9001:2008. Many current critical processes required for managing the full product life cycle are already in place. Analysis of process and product performance, as well as monitoring of customer satisfaction and perception of products and performance, are routinely reviewed and corrective actions are taken where applicable. We successfully maintain TUV CE registration through quarterly audits in support of critical customer product offerings.

Product realization is accomplished as required in the ISO 9001:2008 standard. Critical quality assurance processes such as calibration, control of nonconforming material, supplier evaluation and monitoring, and configuration management are all in place and audited routinely to ensure the best product offerings possible to the customer. We believe product quality and reliability are critical and distinguishing factors in a customer's selection process.

The Company's products are subject to industry-wide standardization organizations, including Telcordia, the Internet Engineering Task Force, the Metro Ethernet Forum, the American National Standards Institute (ANSI) in the U.S. and the International Telecommunications Union (ITU).

Competition

We operate in an intensely competitive marketplace and have no reason to believe that this competitive environment will ease in the future. Our customers base their purchasing decisions on multiple factors including features, quality, performance, price, total cost of ownership, reliability, responsiveness, incumbency, financial stability, reputation, and customer service. While competitors vary by market, some of our primary competitors include ADRF, Asentria, Bird Technologies, C Squared, CCI, Cobham, Charles Industries, Comba, CommScope, Corning, DPS Telecom, Emerson, Errigal, Galooli, Inala, Invendis, ISCO, JMA, Kaelus, Microlab, Purcell, RF Industries, SOLiD, Telect, and Trimm. Some of these competitors compete with us across several of our products and solutions, while many are a competitor to a specific product or solution.

Intellectual Property

The Company's success depends, in part, on its ability to protect trade secrets, obtain or license patents, and operate without infringing on the rights of others. We rely on a combination of technical leadership, copyrights, trademarks, trade secrets, nondisclosure agreements, and other intellectual property and protective measures to secure our proprietary know-how. The expiration of any of the patents held by the Company would not have a material impact on the Company. From time to time, the Company expects to seek additional patents related to its R&D activities.

Employees

As of May 1, 2018, the Company had one part-time employee and 114 full-time employees for a total of 115 employees.

Available Information

The SEC maintains an internet site, www.sec.gov, through which you may access the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and other information statements, as well as amendments to these reports. In addition, the Company makes these reports available free of charge on the Company's internet website, www.westell.com. The Company maintains a corporate governance page on the Company's website. This page includes, among other items, the Code of Business Conduct, the Audit Committee Charter, the Compensation Committee Charter, and the Corporate Governance and Nominating Committee Charter.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below in addition to the other information contained and incorporated by reference in this Form 10-K. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us, or those risks we currently view to be immaterial, may also materially and adversely affect our business, operating results or financial condition. If any of these risks materialize, our business, operating results or financial condition could be materially and adversely affected.

Risks Related to Our Business

We have incurred losses in the past and may incur losses in the future.

We have incurred losses in recent fiscal years and historically in fiscal years through 2002. The Company had an accumulated deficit of \$329.6 million as of March 31, 2018.

We expect to continue to evaluate new product and growth opportunities. As a result, we will continue to invest in research and development and sales and marketing, which could adversely affect our short-term operating results. Although we have made significant progress reducing costs in fiscal years 2018 and 2017, we cannot provide any certainty that we will be profitable in the future.

We depend on a limited number of customers who are able to exert a high degree of influence over us and loss of or the reduction of spending by a major customer could adversely impact our business.

We have and may continue to depend on U.S. telecommunication service providers for the majority of our revenues. The telecommunications companies and our other customers are significantly larger than we are and are able to exert a high degree of influence over us. Customers may often be permitted to reschedule orders without penalty. Even if demand for our products is high, many telecommunication service providers have sufficient bargaining power to demand low prices and other terms and conditions that may materially adversely affect our business and operating results.

Our performance is dependent on customer capital spending, which can be volatile and difficult to forecast. Customer capital spending can be affected by end user demand driven by competing technology, economic conditions, customer budget restraints, work stoppages or other labor issues at the facilities of our customers and other factors. Our customers have curtailed or deferred spending in the past without notice.

Overall sales and product mix sold to our large customers have fluctuated in the past and could vary in the future resulting in significant fluctuations in quarterly operating results and may also adversely impact our stock price.

We have in the past and may in the future experience significant delays or other complications in the design, manufacture, launch, and production ramp of new products, which could harm our business, prospects, financial condition, and operating results.

Many of our past sales have resulted from our ability to anticipate changes in technology, industry standards and service provider service offerings, and to develop and introduce new and enhanced products and services. Our continued ability to adapt to such changes will be a significant factor in maintaining or improving our competitive position and our prospects for growth. Additionally, other companies may succeed in developing and marketing products that are more effective and/or less costly than any product we may develop, or that are commercially accepted before any of our products.

There can be no assurance that we will successfully introduce new products on a timely basis or achieve sales of new products in the future, particularly as customer demand shifts to new technology or the next generation of products. Additionally, we rely on third parties to perform a portion of our research and development activities. Accordingly, the failure of third party research partners to perform under agreements entered into with us, or our failure to renew important agreements with these third party research parties, may delay or curtail our research and development efforts. In addition, there can be no assurance that we will have the financial and product design resources necessary to continue to successfully develop new products or to otherwise successfully respond to changing technology standards and service provider service offerings. If we fail to deploy new products on a timely basis, our product sales may decrease and our competitive position, financial condition and results of operations could be materially and adversely affected.

We may experience significant delays or other complications in bringing to market and ramping production of new products, such as our new product safety products. Currently, there are competitive products in the public safety market that have already launched.

The decision to curtail the development of new products or other complications in the development, manufacture, launch, and production ramp of any future product, have in the past and could in the future materially damage our business, prospects, financial condition, and operating results.

We have completed acquisitions in the past and may engage in future acquisitions that could impact our financial results or stock price.

We have completed acquisitions and expect to continue to review potential acquisitions, and we may acquire or make investments in businesses, products or technologies in the future. Any existing or substantial future acquisitions or investments would present a number of risks that could harm our business including:

- business integration issues;
- disruption to our ongoing or acquired business;
- difficulty realizing the intended benefits of the transaction;
- impairment of assets related to acquired goodwill and intangibles; and
- key employee retention.

Future acquisitions or investments could also result in use of significant cash balances, potential dilutive issuances of equity securities or incurrence of debt, contingent liabilities or amortization expenses related to goodwill and other intangible assets, any of which could adversely affect our financial condition and results of operations.

We have long-term customer pricing contracts but few long-term contracts or arrangements with our suppliers, which could adversely affect our ability, with certainty or economically, to purchase components and technologies used in our products.

Although we have long-term customer pricing contracts, we have few long-term contracts or arrangements with our suppliers. We may not be able to obtain products or components at competitive prices, in sufficient quantities or under other commercially reasonable terms. Because of our long-term customer pricing contracts, we may be unable to pass any significant increase in product costs on to our customers, which could have an adverse impact on our financial condition and results of operations.

Our lack of backlog and market visibility may affect our ability to adjust for unexpected changes in customer demand.

Customers often place orders for product within the month of their requested delivery date. We therefore typically do not have a material backlog (or known quantity) of unfilled orders, and our revenues in any quarter are substantially dependent on orders booked or orders becoming non-cancellable in that quarter. Our expense levels and inventory commitments are based on anticipated customer demand and are relatively fixed in the short term. If we enter into a high-volume or long-term supply arrangement and subsequently decide that we cannot use the products or services provided for in the supply arrangement then our business could also be harmed. We enter into short-term contracts with our suppliers in the form of purchase orders. These purchase orders are issued to vendors based on forecasted customer demand. Therefore, we may be unable to cancel purchase orders with our suppliers or adjust spending in a timely manner to compensate for any unexpected shortfall of orders. Accordingly, any significant shortfall of demand in relation to our expectations or any material delay of customer orders could have an adverse impact on our business, our financial condition and results of operations.

We face significant inventory risk.

We are exposed to significant inventory risks that may adversely affect our operating results as a result of seasonality, new product launches, rapid changes in product cycles and pricing, defective products, changes in customer demand and spending patterns, and other factors. We endeavor to accurately predict these trends and avoid over-stocking or under-stocking products we assemble and/or sell. Demand for products, however, can change significantly between the time inventory or components are ordered/assembled and the date of customer orders. In addition, when we begin marketing a new product, it may be difficult to determine appropriate product or component selection, and accurately forecast demand. The acquisition of certain types of inventory or components may require significant lead-time and they may not be returnable. We carry a broad selection and significant inventory levels of certain products, and we may be unable to sell products in sufficient quantities. Any one of the inventory risk factors set forth above may adversely affect our operating results.

Conversely, if we order too little product to meet customer demand, we may have insufficient inventory which could result in unplanned expediting costs or lost revenue opportunities, either of which could have an adverse impact on our financial results.

Our customers have lengthy purchase cycles and unpredictable purchasing practices that affect our ability to sell our products.

Prior to selling products to service providers, we must undergo the lengthy approval and purchase processes of our customers. Evaluation can take as little as a few months for products that vary slightly from existing products or up to a year or more for products based on new technologies or utilized for new service offerings. Customers may also choose not to utilize our offerings. Accordingly, we are continually submitting successive generations of our current products as well as new products to our customers for approval.

The requirement that service providers obtain FCC or state regulatory approval for most new telecommunications and broadband services prior to their implementation has in the past delayed the approval process. Such delays in the future could have a material adverse effect on our business and operating results. While we have been successful in the past in obtaining

product approvals from our customers, there is no guarantee that such approvals, or that ensuing sales of such products will continue to occur.

Our business is subject to the risks of international operations.

We are dependent on our independent offshore manufacturing partners in Asia to manufacture, assemble and test our products. Although there typically is no unique capability with these suppliers, any failure or business disruption by these suppliers to meet delivery commitments would cause us to delay shipments and potentially lose revenue and/or incur contractual penalties. Our reliance on third-party subcontractors for assembly of our products involves several risks, including the unavailability of, or interruptions in access to, certain process technologies and reduced control over product quality, delivery schedules, transportation, manufacturing yields, and costs. These risks may be exacerbated by economic or political uncertainties, terrorist actions, or by natural pandemics or other disasters in countries in which our subcontractors or their subcontractors are located. Contracts with our CMs are generally expressed in U.S. dollars, but volatility in foreign currency rates could increase our costs.

We aim to derive an increased portion of our revenue from international operations. As a result, our financial condition and operating results could be significantly affected by risks associated with international activities, such as economic, political, and other risks and uncertainties, including, but not limited to, regional or country specific economic downturns, changes to tax laws, fluctuations in currency exchange rates, complications in complying with, or exposure to liability under, a variety of laws and regulations, including anti-corruption laws and regulations, political instability, significant natural disasters and other events or factors impacting local infrastructure. Requirements for international expansion may increase our operating expenses or working capital needs.

Due to the rapid pace of technological change and volatile customer demand, our products may become obsolete and could cause us to incur charges for excess and obsolete inventory which would materially harm our business.

The telecommunications industry is subject to rapid technological change and volatile customer demands, which affected our past results and could result in inventory obsolescence or excess inventory. We have in the past and may in the future devote disproportionate resources to a product that we ultimately may not sell or have to sell for a loss. If we incur substantial inventory impairments that we are not able to recover because of changing market conditions, or if we commit resources that do not result in profitable sales, there could be a material adverse effect on our business, financial condition and results of operations.

Our products and services face intense competition. Our failure to compete successfully could materially affect our profitability.

Because we are smaller than many of our competitors, we may lack the financial, marketing, technical and other resources needed to increase or maintain our market share. Many of our competitors are larger than we are and may be able to offer a wider array of products and services required for a service provider's business than we do.

Competitors may succeed in establishing more technologically advanced products and services, or products with more favorable pricing or may otherwise gain an advantage over our products which would result in lost business that would adversely impact our profitability.

Because of intense competition, we may price our products and services at low margins in order to win or maintain business. Low margins from our sales of products and services could materially and adversely affect our profitability and ability to achieve our business goals.

We are dependent on third-party technology, the loss of which would harm our business.

We rely on third parties for technology in our products. Consequently, we must rely upon third parties to develop and to introduce technologies which enhance the Company's current products and enable the Company, in turn, to develop its own products on a timely and cost-effective basis to meet changing customer needs and technological trends in the telecommunications industry. Were the Company to lose the ability to obtain needed technology from a supplier, or were that technology no longer available to the Company under reasonable terms and conditions, the Company's business and results of operations could be materially and adversely affected.

Potential product recalls, service failures and warranty expenses could adversely affect our profitability.

Our products are required to meet rigorous standards imposed by our customers, and we warrant the performance of these products and services. In addition, our supply contracts with our major customers typically require us to accept returns of products within certain time frames and indemnify such customers against certain liabilities arising out of the use of our products or services. Complex products such as those offered by us may contain undetected defects or failures when first introduced or as new versions are released. Despite our testing of products and our comprehensive quality control program, there is no guarantee that our products will not suffer from defects or other deficiencies. If product defects, recalls, warranty returns, failures, or indemnification or liquidated-damage claims exceed our anticipated costs for these items, our business

could be harmed. Such claims and the associated negative publicity could result in the loss of or delay in market acceptance of our products and services, and could affect our product sales, our customer relationships, and our profitability.

We are dependent on sole or limited source suppliers and independent contract manufacturers and the loss of or disruptions of these products and services would harm our business.

Components used in our products may be currently available from only one source or a limited number of suppliers. Our inability to obtain sufficient key components or to develop alternative sources for key components as required, could result in delays or reductions in product deliveries, and consequently severely harm our customer relationships and our business. Furthermore, additional sole-source components may be incorporated into our future products, thereby increasing our supplier risks. If any of our sole-source suppliers delay or halt production of any of their components, or fail to supply their components on commercially reasonable terms, then our business and operating results would be harmed.

In the event that these suppliers discontinue the manufacture of materials used in our products, we would be forced to incur the time and expense of finding a new supplier, if available, or to modify our products in such a way that such materials were not necessary, which could result in increased manufacturing costs.

We are dependent on independent contract manufacturers. During fiscal year 2017, the Company increased reliance on a single contract manufacturer to fully outsource final assembly and test operations for its IBW products.

Any disruption in assembly, test or shipment services, delays in manufacturing processes and ramping up volume for new products, transitions to new service providers or any other circumstances that would require us to seek alternative sources of supply, could delay shipments and have a material adverse effect on our ability to meet customer demands. In addition, unpredictable economic conditions may adversely impact the financial health and viability of these contract manufacturers and result in their insolvency or their inability to meet their commitments to us. These factors could result in reduced revenues and could negatively impact our financial condition and results of operations.

Regulations related to conflict minerals could adversely impact our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions concerning the supply of “conflict” minerals mined from the Democratic Republic of Congo and adjoining countries (DRC). As a result, the SEC established annual disclosure and reporting requirements for those companies who may use conflict minerals sourced from the DRC in their products. There are costs associated with complying with these disclosure requirements, including diligence costs to determine the sources of conflict minerals used in our products. These requirements also could limit the pool of suppliers who can provide conflict-free minerals and, as a result, we cannot ensure that we will be able to obtain products with these minerals at competitive prices. In addition, we may face challenges with our customers or with our reputation if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins of the minerals used in our products.

We may be subject to litigation that could be costly to defend and could impact our profitability.

Our products use third party and open source intellectual property. The telecommunications industry is characterized by the existence of an increasing number of patents and frequent litigation based on allegations of patent and other intellectual property infringement. From time to time we receive communications from third parties alleging infringement of exclusive patent, copyright and other intellectual property rights to technologies that are important to us. Such litigation, regardless of its outcome, could result in substantial costs and thus adversely impact our profitability. We could face securities litigation or other litigation that could result in the payment of substantial damages or settlement costs in excess of our insurance coverage. Any adverse outcome could harm our business. Even if we were to prevail in any such litigation, we could incur substantial legal costs and management's attention and resources could be diverted from our business which could cause our business to suffer.

Our indemnification obligations for infringement by our products of the rights of other could require us to pay substantial damages.

As is common in our industry, we have a number of agreements in which we have agreed to defend, indemnify and hold harmless our customers and suppliers from damages and costs that arise from the infringement by our products of third-party patents, trademarks or other proprietary rights. The scope of these indemnities varies, the duration of these indemnities is generally perpetual after execution of an agreement, and the maximum potential amount of future payments we could be required to make under these indemnities is often unlimited. Any indemnification claims by customers could require us to incur significant legal fees and could potentially result in our payment of substantial damages, and our insurance generally would not cover these fees or damages. As a result, the occurrence of any of these risks could have a material adverse effect on our business and result of operations.

We will not be able to successfully compete, develop and sell products and services if we fail to retain key personnel and hire additional key personnel.

Because of our need to continually compete for customer business, our success is dependent on our ability to attract and retain qualified technical, marketing, sales and management personnel. To remain competitive, we must maintain top management talent, employees who are involved in product development and testing and employees who have developed strong customer relationships. Because of the high demand for these types of employees, it may be difficult to retain existing key employees and attract new key employees. In addition, we do not have non-compete contracts with most of our employees. Our inability to attract and retain key employees could harm our ability to successfully sell existing products, develop new products, and implement our business goals.

Industry consolidation and divestiture could make competing more difficult.

Consolidation of companies offering competing products is occurring through acquisitions, joint ventures and licensing arrangements involving our competitors, our customers and our customers' competitors.

Our customers may acquire, merge or divest territories to other telecommunication service providers. The acquiring companies often use competitor products in their legacy business. We are often required to formally bid to retain existing business or obtain new business in the acquirer's territory.

We cannot provide any assurances that we will be able to compete successfully in an increasingly consolidated telecommunications industry or retain or win business when existing customers divest portions of their business to others. Any heightened competitive pressures that we may face may have a material adverse effect on our business, prospects, financial condition and results of operations.

Utilization of our deferred tax assets could be limited by an ownership change as defined by Section 382 of the Internal Revenue Code, or by a change in the tax code, or by our ability to generate future taxable income.

We have significant deferred tax assets, primarily in the form of net operating losses, which are generally available to offset future taxable income. If we fail to generate sufficient future taxable income, net operating losses would expire prior to utilization. A valuation allowance was recorded against all deferred tax assets in the fourth quarter of fiscal year 2013. The Company remains in a full valuation allowance position as of March 31, 2018. A change in ownership, as defined by Section 382 of the Internal Revenue Code, could reduce the availability of those tax assets. Additional federal or state tax code changes could further limit our use of deferred tax assets and harm our business and our investors.

We have and may incur liabilities in connection with the sale of certain assets and discontinued operations.

In connection with our divestitures, we have agreed to indemnify parties against specified losses with respect to those transactions and retained responsibility for various legal liabilities that may accrue. The indemnities relate to, among other things, liabilities which may arise with respect to the period during which we operated the divested business, and to certain ongoing contractual relationships and entitlements with respect to which we made commitments in connection with the divestiture. We have incurred and may incur additional expenses defending indemnity and third party claims. These added expenses to resolve the claim or to defend against the third party action could harm our operating results. In addition, such claims may divert management attention from our continuing business. It may also be difficult to determine whether a claim from a third party stemmed from actions taken by us or by another party and we may expend substantial resources trying to determine which party has responsibility for the claim.

Any restructuring activities that we have undertaken and may undertake in the future may not achieve the benefits anticipated and could result in additional unanticipated costs, which could have a material adverse effect on our business, financial condition, cash flows or results of operations.

In order to align our resources with our growth strategies, operate more efficiently and control costs, recently and in the past we have periodically announced restructuring plans, which include workforce reductions, facility closures and consolidations, asset impairments and other cost reduction initiatives. We regularly evaluate our existing operations and, as a result of such evaluations, may undertake additional restructuring activities within our business. These restructuring activities may involve higher costs or longer timetables than we anticipate, including costs related to severance and other employee-related matters, litigation risks and expenses, and other costs. These restructuring activities may disrupt sales or operations and may not result in improvements in future financial performance. If we incur unanticipated costs or are unable to realize the benefits related to restructuring activities, the activities could have a material adverse effect on our business, financial condition, cash flows or results of operations.

An impairment of long-lived assets could adversely impact our reported financial results.

Events or circumstances could arise that may create a need to record an impairment adjustment related to our long-lived assets that could adversely impact our reported financial results.

Our business may be affected by uncertain government regulation, and current or future laws or regulations could restrict the way we operate our business or impose additional costs on our business.

The telecommunications industry, including most of our customers, is subject to regulation from federal and state agencies, including the FCC and various state public utility and service commissions. While most of these regulations do not affect us directly, the effects of regulations on our customers may adversely impact our business and operating results. For example, FCC regulatory policies affecting the availability of telecommunication company services and other terms on which telecommunication companies conduct their business may impede our penetration of local access markets, and/or make the markets less financially attractive.

Our inability to successfully maintain business continuity could impair our ability to deliver our products and services and harm our business.

We are heavily reliant on our technology and infrastructure to provide our products and services to our customers. A disruption or failure of these systems or operations because of relocation, the failure to successfully upgrade our systems, a disaster, or other business continuity event could cause data corruption, missing data or data lost or otherwise delay our ability to complete sales and provide the highest level of service to our customers. In addition, we could have difficulty producing accurate financial statements on a timely basis, which could adversely affect the trading value of our stock. Although we endeavor to ensure there is redundancy in these systems and that they are regularly backed-up, there are no assurances that data recovery in the event of a disaster or other event would be effective or occur in an efficient manner. Any errors, defects, disruptions or other performance problems with our products and services could harm our reputation and may damage our customers' businesses.

Our failure or the failure of third-party service providers to protect our sites, networks and systems against security breaches, or otherwise to protect our confidential information, could adversely affect our business and financial results.

Our business systems collect, maintain, transmit and store data about our customers, vendors and others, including credit card information and personally identifiable information, as well as other confidential and proprietary information. We also employ third-party service providers that store, process and transmit proprietary, personal and confidential information on our behalf. We rely on encryption and authentication technology licensed from third parties in an effort to securely transmit confidential and sensitive information, including credit card numbers. Our security measures, and those of our third-party service providers, may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in or transmitted by our sites, networks and systems or that we or our third-party service providers otherwise maintain.

We and our service providers may not have the resources or technical sophistication to anticipate or prevent all types of attacks, and techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers. In addition, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or by persons with whom we have commercial relationships. Although we maintain privacy, data breach and network security liability insurance, we cannot be certain that our coverage will be adequate or cover liabilities actually incurred, or that insurance will continue to be available to us on economically reasonable terms, or at all. Any compromise or breach of our security measures, or those of our third-party service providers, could adversely impact our ability to conduct business, violate applicable privacy, data security and other laws, and cause significant legal and financial exposure, adverse publicity, and a loss of confidence in our security measures, which could have an adverse effect on our business and financial results.

Risks Related to Our Common Stock

Our stock may be delisted from the Nasdaq Capital Market, which could affect its market price and liquidity.

Our Class A Common Stock is currently listed on the Nasdaq Capital Market under the symbol "WSTL." In the event that we fail to maintain compliance with the applicable listing requirements, our Class A Common Stock could become subject to delisting from the Nasdaq Capital Market.

On July 1, 2016, we were notified by the Listing Qualifications Staff that our Class A Common Stock was not in compliance with the minimum bid price requirement set forth in Nasdaq Marketplace Rule 5550(a)(2) (the "Bid Price Requirement") because the bid price for our Class A Common Stock had closed below the minimum \$1.00 per share requirement for 30 consecutive business days. We regained compliance with the Bid Price Requirement as a result of a one-for-four reverse stock split we effected on June 7, 2017.

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Though the bid price of our Class A Common Stock has remained above \$1.00 per share since the reverse stock split, we cannot guarantee that it will remain at or above \$1.00 per share. If the bid price drops below \$1.00 per share, our Class A Common Stock could become subject to delisting again, and we may need to seek stockholder approval for an additional reverse stock split. A second reverse stock split could produce negative effects and we cannot provide any assurance that it would result in a long-term or permanent increase in the bid price of our Class A Common Stock. For example, a second reverse stock split could make it more difficult for us to comply with other listing standards of Nasdaq, including requirements related to the minimum number of shares that must be in the public float, the minimum market value of publicly held shares and the minimum number of round lot holders. Although we are currently in compliance with all of the listing standards for listing on Nasdaq, we cannot provide any assurance that we will continue to be in compliance in the future.

The recent reverse stock split of our shares of Class A Common Stock may decrease the market trading liquidity of the shares due to the reduced number of shares outstanding.

In June 2017, we effected a one-for-four reverse stock split of our shares of Class A Common Stock in order to increase the bid price to more than \$1.00 per share and thus maintain the listing for our Class A Common Stock on the NASDAQ Capital Market. The liquidity of the shares may be adversely affected by the reverse stock split as a result of the reduced number of shares outstanding following the reverse stock split. In addition, the reverse stock split may have increased the number of stockholders who own odd lots (less than 100 shares) of our Class A Common Stock, creating the potential for such stockholders to experience an increase in the cost of selling their shares and greater difficulty effecting such sales.

Our stock price is volatile and could drop unexpectedly.

Our stock price has demonstrated and may continue to demonstrate volatility as valuations, trading volumes and prices vary significantly. Such volatility may result in a material decline in the market price of our securities, and may have little relationship to our financial results or prospects.

We could be the subject of future investigation by the SEC or other governmental authorities that could adversely affect our financial condition, results of operations and the price of our common stock.

In the event that an investigation by the SEC or other governmental authorities leads to significant legal expense or to action against the Company or its directors and officers, our financial condition, results of operations and the price of our common stock may be adversely impacted.

Our principal stockholders can exercise significant influence that could discourage transactions involving a change of control and may affect your ability to receive a premium for Class A Common Stock that you purchase.

As of May 14, 2018, as trustees of a voting trust dated February 23, 1994, (the Voting Trust) containing common stock held for the benefit of the Penny family, Robert C. Penny III, Robert W. Foskett and Patrick J. McDonough, Jr. have the exclusive power to vote over 49.6% of the votes entitled to be cast by the holders of our common stock. In addition, members of the Penny family who are beneficiaries under this Voting Trust are parties to a stock transfer restriction agreement which prohibits the beneficiaries from transferring any Class B Common Stock or their beneficial interests in the Voting Trust without first offering such Class B Common Stock to the other Penny family members. Certain Penny family members also own or are beneficiaries of trusts that own shares outside of the Voting Trust. As trustees of the Voting Trust and other trusts, Messrs. Penny, Foskett and McDonough, Jr. control 53.5% of the stock vote. Consequently, we are effectively under the control of Messrs. Penny, Foskett and McDonough, Jr., as trustees, who can effectively control the election of all of the directors and determine the outcome of most corporate transactions or other matters submitted to the stockholders for approval. Such control may have the effect of discouraging transactions involving an actual or potential change of control, including transactions in which the holders of Class A Common Stock might otherwise receive a premium for their shares over the then-current market price.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company leases the following real property:

Location	Purpose	Square footage	Termination calendar year	Segment
Aurora, IL	Corporate headquarters, office, CNS distribution and manufacturing	83,000	2020	
Dublin, OH	Design center	9,465	2019	ISMS
Manchester, NH	IBW distribution and manufacturing	16,932	2018	IBW
Manchester, NH	IBW office	20,700	2018	IBW

During the fourth quarter of fiscal year 2017, the Company executed a three-year lease beginning in October 2017 for approximately 83,000 square feet for our Aurora, Illinois headquarters facility. This is a reduced footprint at our Aurora, Illinois headquarters facility and is more suitable to our current operation. This lease is expected to generate cash savings of approximately \$2.0 million annually, compared to our prior lease, which covered approximately 179,000 square feet.

During fiscal year 2017, the Company consolidated space in New Hampshire, and is utilizing approximately 7,300 square feet of the IBW office space. It is currently evaluating a replacement lease for the IBW office in New Hampshire. The lease for the IBW distribution and manufacturing facility, which was not utilized during fiscal year 2018, ended April 30, 2018.

On April 1, 2013, as a result of the Kentrox acquisition, the Company acquired a sixteen acre parcel of land in Dublin, Ohio. The Company sold four acres in April 2015 and is marketing the remaining twelve acres for sale.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings incidental to the Company's business and its previously owned operations. In the ordinary course of our business, we are routinely audited and subject to inquiries by governmental and regulatory agencies. Although it is not possible to predict with certainty the outcome of these or other unresolved legal actions or the range of possible loss, management believes that the outcome of such proceedings will not have a material adverse effect on our consolidated operations or financial condition.

In the ordinary course of operations the Company receives claims where the Company believes an unfavorable outcome is possible and/or for which is probable and no estimate of possible losses can currently be made. A significant customer was a defendant in patent infringement claims and is asserting possible indemnity rights under contracts with the Company. The customer has settled one matter, which has been dismissed, and won summary judgment for all claims in the other. The customer has informed the Company that the customer intends to seek to recover from the Company a share of the settlement and defense costs. For the dismissed case, the customer provided an initial allocation of their defense costs in a range of up to \$160,000 at this time. The Company does not have a best estimate within the range or a true lower limit of the range, and therefore, we can only disclose the range. For the settled case, the Company has not been involved in any settlement discussions nor informed by the customer of any settlement details and therefore management is currently unable to estimate a range of potential loss associated with this claim with any degree of certainty, and the Company is not yet able to calculate the exposure of this claim, which will vary depending upon the settlement reached by the customer and the Company's contribution ratio.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

All common stock, equity, share and per share amounts in the financial statements and notes have been retroactively adjusted to reflect a one-for-four reverse stock split, which was effective June 7, 2017.

The Company's Class A Common Stock is traded on the NASDAQ Capital Market under the symbol "WSTL". The following table sets forth, for the periods indicated, the high and low sale prices for the Class A Common Stock as reported by NASDAQ.

	High	Low
Fiscal Year 2018		
First Quarter ended June 30, 2017	\$3.40	\$2.44
Second Quarter ended September 30, 2017	\$3.74	\$2.75
Third Quarter ended December 31, 2017	\$4.60	\$2.73
Fourth Quarter ended March 31, 2018	\$4.15	\$3.00
Fiscal Year 2017		
First Quarter ended June 30, 2016	\$5.16	\$2.64
Second Quarter ended September 30, 2016	\$3.00	\$1.92
Third Quarter ended December 31, 2016	\$2.88	\$1.76
Fourth Quarter ended March 31, 2017	\$3.80	\$2.28

As of May 14, 2018, there were approximately 557 holders of record of the outstanding shares of Class A Common Stock and five holders of record of Class B Common Stock.

During the fiscal year ended March 31, 2018, no equity securities of the Company were sold by the Company that were not registered under the Securities Act of 1933, as amended.

Dividends

The Company has never declared or paid cash dividends on its common stock and does not anticipate paying cash dividends in the foreseeable future.

Issuer Purchases of Equity Securities

The following table provides information about the Company's repurchase activity for its Class A Common Stock during the three months ended March 31, 2018.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (b)	Maximum Number (or Approximate Dollar Value) that May Yet Be Purchased Under the Programs (b)
January 2018	—	—	—	\$1,715,121
February 2018	3,671	\$3.2800	—	\$1,715,121
March 2018	1,405	\$3.2000	—	\$1,715,121
Total	5,076	\$3.2600	—	\$1,715,121

- (a) In the quarter ended March 31, 2018, the Company repurchased 5,076 shares from employees that were surrendered to satisfy the minimum statutory tax withholding obligations on the vesting of restricted stock units. These repurchases, which are not included in the authorized share repurchase program, had a weighted-average purchase price of \$3.26 per share.
- (b) In May 2017, the Board of Directors authorized a new share repurchase program whereby the Company could repurchase up to an additional aggregate of \$2.0 million of its outstanding Class A Common Stock in addition to the \$0.1 million remaining from the August 2011 authorization. The August 2011 authorization was exhausted during the first quarter of fiscal year 2018 and there was approximately \$1.7 million remaining under the May 2017 authorization as of March 31, 2018.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable to smaller reporting companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following discussion should be read together with the Consolidated Financial Statements and the related Notes thereto and other financial information appearing elsewhere in this Form 10-K. All references herein to the term "fiscal year" shall mean a year ended March 31 of the year specified.

Westell Technologies, Inc., (the Company) was incorporated in Delaware in 1980 and is headquartered at 750 North Commons Drive, Aurora, Illinois 60504. The Company is a leading provider of high-performance wireless infrastructure solutions focused on innovation and differentiation at the edge of communication networks where end users connect. The Company's portfolio of products and solutions enable service providers and network operators to improve performance and reduce operating expenses. With millions of products successfully deployed worldwide, the Company is a trusted partner for transforming networks into high-quality reliable systems.

The Company has three reportable operating segments: In-Building Wireless (IBW), Intelligent Site Management and Services (ISMS), and Communications Network Solutions (CNS).

IBW Segment

The IBW segment solutions enable cellular coverage in stadiums, arenas, malls, buildings, and other indoor areas not served well or at all by the existing "macro" outdoor cellular network. For commercial service, the IBW segment solutions include distributed antenna system (DAS) conditioners and digital repeaters. For the public safety market, the IBW segment solutions include half-watt and two-watt repeaters and a battery backup unit. The Company's IBW segment also offers ancillary products that consist of passive system components and antennas for both the commercial and public safety markets.

During the first half of fiscal year 2017, the majority of our R&D expense was for the continued development of ClearLink DAS within the IBW segment. Development of ClearLink DAS began in fiscal year 2016 and was to be a complete DAS (head-ends and remotes) intended to grow the Company's revenue, as it would have enabled the Company to access a larger market than the market for stand-alone DAS conditioners. On July 27, 2016, as part of an \$11 million expense reduction plan, the Company announced that, based on its more recent analysis of the market and expected return, it was ceasing development of ClearLink DAS. During the second half of fiscal year 2017, the Company significantly reduced all of its costs and expenses in line with current revenues, including a substantial reduction in R&D, mostly from the discontinuance of ClearLink DAS.

ISMS Segment

The ISMS segment solutions include a suite of remote units which provide machine-to-machine (M2M) communications that enable operators to remotely monitor, manage, and control site infrastructure and support systems. Remote units can be and often are combined with the Company's Optima management software system. The Company also offers support services (i.e., maintenance agreements) and deployment services (i.e., installation).

CNS Segment

The CNS segment solutions include a broad range of outdoor network infrastructure offerings consisting of integrated cabinets, power distribution products, copper and fiber connectivity panels, T1 network interface units (NIUs), and tower mounted amplifiers (TMAs).

Customers

The Company's customer base for its products is highly concentrated and includes communication service providers, systems integrators, neutral host operators, and distributors. Communication service providers include wireless and wireline service providers, multiple systems operators (MSOs), and Internet service providers (ISPs). Due to the stringent customer quality specifications and the regulated environment in which customers operate, the Company must undergo lengthy approval and procurement processes prior to selling most of its products. Accordingly, the Company must make significant up-front investments in product and market development prior to actual commencement of sales of new products. Prices for the Company's products vary based upon volume, customer specifications, and other criteria, and they are subject to change for a variety of reasons, including cost and competitive factors.

To remain competitive, the Company must continue to invest in new product development and in targeted sales and marketing efforts to launch new product features and lines. Failure to increase revenues from new products, whether due to lack of

market acceptance, competition, technological changes, purchasing decisions, meeting technical specifications or otherwise, could have a material adverse effect on the Company's business and results of operations. The Company expects to continue to evaluate new product opportunities and invest in product research and development activities.

In view of the Company's reliance on the telecommunications market for revenues, the project nature of the business, the unpredictability of orders, and pricing pressures, the Company believes that period-to-period comparisons of its financial results should not be relied upon as an indication of future performance. The Company has experienced quarterly fluctuations in customer ordering and purchasing activity due primarily to the project-based nature of the business and to budgeting and procurement patterns toward the end of the calendar year or the beginning of a new year. While these factors can result in the greatest fluctuations in the Company's third and fourth fiscal quarters, this is not always consistent and may not always correlate to financial results.

New Chief Executive Officer

On May 9, 2018, the Company announced that the Board of Directors had appointed Alfred S. John as President and Chief Executive Officer effective May 21, 2018. Mr. John succeeded Kirk R. Brannock who was serving as the interim President and Chief Executive Officer.

Critical Accounting Policies

The preparation of financial statements in accordance with GAAP requires management to make use of certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and that affect the reported amounts of revenue and expenses during the reported periods. The Company bases estimates on historical experience and on various other assumptions that management believes are reasonable under the circumstances. These estimates and assumptions form the basis for judgments about carrying values of assets and liabilities that may not be readily apparent from other sources. Actual results could differ from the amounts reported.

In Note 2 to the Consolidated Financial Statements, the Company includes a discussion of its significant accounting policies. The Company believes the following are the most critical accounting policies and estimates used in the preparation of the financial statements. The Company considers an accounting policy or estimate to be critical if it requires assumptions to be made concerning uncertainties, and if changes in these assumptions could have a material impact on financial condition or results of operations.

Inventories and Inventory Valuation

Inventories are stated at the lower of first-in, first-out (FIFO) cost or market value. Market value is based upon an estimated average selling price reduced by estimated costs of disposal. Should actual market conditions differ from the Company's estimates, the Company's future results of operations could be materially affected. Reductions in inventory valuation are included in cost of goods sold in the accompanying Consolidated Statements of Operations. The Company reviews inventory for excess quantities and obsolescence based on its best estimates of future demand, product lifecycle status and product development plans. The Company uses historical information along with these future estimates to reduce the inventory cost basis. Subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. Prices anticipated for future inventory demand are compared to current and committed inventory values.

Inventory Purchase Commitments

In the normal course of business, the Company enters into non-cancellable commitments for the purchase of inventory. The commitments are negotiated to be at market rates. Should there be a significant decline in revenues the Company may absorb excess inventory and subsequent losses as a result of these commitments. The Company establishes reserves for potential losses on at-risk commitments.

Income Taxes

The Company accounts for income taxes under the provisions of ASC Topic 740, *Income Taxes* (ASC 740). ASC 740 requires an asset and liability based approach in accounting for income taxes. Deferred income tax assets, including net operating loss (NOL) and certain tax credit carryovers and liabilities, are recorded based on the differences between the financial statement and tax bases of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the tax differences are expected to reverse. Valuation allowances are provided against deferred tax assets which are assessed as not likely to be realized. On a quarterly basis, management evaluates the recoverability of deferred tax assets and the need for a valuation allowance. This evaluation requires the use of estimates and assumptions and considers all positive and negative evidence and factors, such as the scheduled reversal of temporary differences, the mix of earnings in the jurisdictions in which the Company operates, and prudent and feasible tax planning strategies. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the dates of enactment. The Company accounts for unrecognized tax benefits based upon its assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. The Company

reports a liability for unrecognized tax benefits resulting from unrecognized tax benefits taken or expected to be taken in a tax return and recognizes interest and penalties, if any, related to its unrecognized tax benefits in income tax expense.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Act"). The Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering the U.S. corporate federal income tax rate from 34% to 21% effective January 1, 2018.

Revenue Recognition and Deferred Revenue

The Company's revenue is derived from the sale of products, software, and services. The Company records revenue from product sales transactions when title and risk of loss are passed to the customer, there is persuasive evidence of an arrangement for sale, delivery has occurred and/or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured.

Revenue recognition on equipment, where software is incidental to the product as a whole or, where software is essential to the equipment's functionality and falls under software accounting scope exceptions, generally occurs when products are shipped, risk of loss has transferred to the customer, objective evidence exists that customer acceptance provisions have been met, no significant obligations remain, collection is reasonably assured and warranty can be estimated.

Revenue recognition, where software is more than incidental to the product as a whole or, where software is sold on a stand-alone basis occurs when the software is delivered and ownership and risk of loss are transferred.

The Company also recognizes revenue from deployment services, maintenance agreements, training and professional services. Deployment services revenue results from installation of products at customer sites. Deployment services are not services required for the functionality of products, because customers do not have to purchase installation services from the Company, and may install products themselves, or hire third parties to perform the installation services. Revenue for deployment services, training and professional services is recognized upon completion and acceptance. Revenue from maintenance agreements is recognized ratably over the service period.

When a multiple element arrangement exists, the fee from the arrangement is allocated to the various deliverables, so the proper amount can be recognized as revenue as each element is delivered. Based on the composition of the arrangement, the Company analyzes the provisions of the accounting guidance to determine the appropriate model that is applied towards accounting for the multiple element arrangement. If the arrangement includes a combination of elements that fall within different applicable guidance, the Company follows the provisions of the hierarchical literature to separate those elements from each other and apply the relevant guidance to each.

If deliverables do not fall within the software revenue recognition guidance, the fair value of each element is established using the relative selling price method, which requires the Company to use vendor-specific objective evidence (VSOE), reliable third-party objective evidence or management's best estimate of selling price, in that order.

If deliverables fall within the software revenue recognition guidance, the fee is allocated to the various elements based on VSOE of fair value. If sufficient VSOE of fair value does not exist for the allocation of revenue to all the various elements in a multiple element arrangement, all revenue from the arrangement is deferred until the earlier of the point at which such sufficient VSOE of fair value is established or all elements within the arrangement are delivered. If VSOE of fair value exists for all undelivered elements, but does not exist for one or more delivered elements, the arrangement consideration is allocated to the various elements of the arrangement using the residual method of accounting. Under the residual method, the amount of the arrangement consideration allocated to the delivered elements is equal to the total arrangement consideration less the aggregate fair value of the undelivered elements. Using this method, any potential discount on the arrangement is allocated entirely to the delivered elements, which ensures that the amount of revenue recognized at any point in time is not overstated. Under the residual method, if VSOE of fair value exists for the undelivered element, generally maintenance, the fair value of the undelivered element is deferred and recognized ratably over the term of the maintenance contract, and the remaining portion of the arrangement is recognized as revenue upon delivery, which generally occurs upon delivery of the product.

The Company has established VSOE. The application of VSOE methodologies requires judgment, including the identification of individual elements in multiple element arrangements and whether there is VSOE of fair value for some or all elements.

The Company's product return policy allows customers to return unused equipment for partial credit if the equipment is non-custom product, returned within specified time limits, and currently being manufactured and sold. Credit is not offered on returned products that are no longer manufactured and sold.

The Company records revenue net of taxes in accordance with ASC Topic 605, *Revenue Recognition* (ASC 605).

The Company will adopt ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606) effective April 1, 2018.

Stock-Based Compensation

The Company recognizes stock-based compensation expense for all employee stock-based payments based upon the fair value on the awards grant date over the requisite service period. If the awards are performance based, the Company must estimate future performance attainment to determine the number of awards expected to vest. Determining the fair value of equity-based options requires the Company to estimate the expected volatility of its stock, the risk-free interest rate, expected option term, and expected dividend yield.

Product Warranties

Most of the Company's products carry a limited warranty of up to seven years. The Company accrues for estimated warranty costs as products are shipped based on historical sales and cost of repair or replacement trends relative to sales.

Results of Operations

Fiscal Years Ended March 31, 2018 and 2017

Revenue by segment

(in thousands)	Fiscal Year Ended March 31,		Increase (Decrease)
	2018	2017	2018 vs. 2017
IBW	\$ 23,265	\$ 25,933	\$ (2,668)
ISMS	19,350	19,321	29
CNS	15,962	17,711	(1,749)
Consolidated revenue	\$ 58,577	\$ 62,965	\$ (4,388)

IBW segment revenue decreased \$2.7 million, primarily due to lower sales of commercial repeaters. While repeaters are still a reliable and proven solution for amplifying cellular coverage inside a building, we have been experiencing a decrease in demand as our larger customers have had a stronger preference for small cells to provide cellular coverage.

Adding to the decrease was lower sales of both passive DAS conditioners and our Universal DAS Interface Tray (UDIT) active conditioner. The overall market for these stand-alone conditioners is expected to continue to decline over time, as their key function, the attenuation of the RF signal from its high-power source to low-power required for a DAS, becomes more integrated into the DAS head-ends themselves (or in some applications, a low enough power level may already be provided by the RF source). The market for passive conditioners began to decline considerably when our UDIT became available early in our fiscal year 2015. Since then, UDIT demand grew, including a record quarterly revenue level in the second fiscal quarter of 2018. But because of the aforementioned overall market dynamic for standalone conditioners, we continue to anticipate UDIT demand to trend down over time. Additionally, in the fourth fiscal quarter of 2018, one service provider that had previously been a large UDIT buyer made an unexpectedly abrupt network architecture shift to an alternative, non-DAS solution for their in-building coverage. If this trend continues, we expect UDIT revenue to decline further, with its primary market coming from capacity expansions at existing sites where embedded DAS networks included UDIT.

Revenue growth for the Company's public safety repeaters and ancillary products (passive system components and antennas) partly offset the commercial repeater and DAS conditioner decreases. Going forward, we expect growth for the IBW segment to come from the in-building public safety market, and the Company plans to further expand its portfolio of products to address this market. The Company is also seeking IBW opportunities in the emerging network densification initiatives and small cell deployments that customers are embracing, particularly as it relates to laying the ground work for the expected transition from fourth generation (4G) to fifth generation (5G) wireless coverages. We are also anticipating revenue growth for ancillary products, which are needed in almost all in-building cellular installations, both for the commercial and public safety markets.

ISMS segment revenue was essentially flat in fiscal year 2018 when compared to fiscal year 2017. However, sales of remote units increased in fiscal 2018, which was equally offset by lower services revenue. Remote units, which are the network devices used for on-site processing, is where the Company consistently generates the majority of its revenue in this segment. The primary driver for the increase was a renewed emphasis, starting in the second fiscal quarter of 2018, by one of our top existing ISMS customers to invest more in remote monitoring. On the other hand, this same customer contributed to the services revenue decrease, as it reduced the number of installation jobs following our price increase for that service and it also changed its support services model from annual commitments to pay-as-you-need.

CNS segment revenue decreased \$1.7 million in fiscal year 2018 when compared to fiscal year 2017, due primarily to the expected lower sales of T1 NIUs and TMAs, as the products serve declining markets. Partly offsetting these declines was higher sales of integrated cabinets, primarily driven by increased network expansion by a rural wireline service provider.

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For CNS, we expect T1 NIU and TMA revenue to continue to decrease, while sales of integrated cabinets, which are heavily project-based, to remain uneven. The other two CNS product lines, power distribution and copper/fiber connectivity products, are expected to remain steady.

Revenue by product and services

(in thousands)	Fiscal Year Ended March 31,	
	2018	2017
Products	\$ 53,459	\$ 56,530
Products percentage of total revenue	91.3%	89.8%
Services	5,118	6,435
Services percentage of total revenue	8.7%	10.2%
Total revenue	58,577	62,965

Services revenue was 8.7% of total revenue in fiscal year 2018, compared to 10.2% in fiscal year 2017. The Company generates all of its services revenue within the ISMS segment, which as previously noted, consists of support services (maintenance agreements) and deployment services (installation). It is anticipated that services revenue will remain under 10% of total revenue, although it is possible it could exceed this threshold.

Gross profit and gross margin

(in thousands)	Fiscal Year Ended March 31,		Increase (Decrease)
	2018	2017	2018 vs. 2017
IBW	\$ 10,653	\$ 8,671	\$ 1,982
	45.8%	33.4%	12.4 %
ISMS	\$ 9,959	\$ 9,778	\$ 181
	51.5%	50.6%	0.9 %
CNS	\$ 4,555	\$ 5,300	\$ (745)
	28.5%	29.9%	(1.4)%
Consolidated gross profit	\$ 25,167	\$ 23,749	\$ 1,418
Consolidated gross margin	43.0%	37.7%	5.3 %

In fiscal year 2018, consolidated gross margin increased 5.3% compared to fiscal year 2017. Company-wide cost reductions were an overall driver to improved gross margins across the three business segments. There were also other factors that caused year-over-year changes within each segment as follows:

IBW segment gross margin increased the largest, by 12.4%, due to two additional factors. First, we improved our cost structure, which involved shutting down final assembly and test operations in-house at our Manchester, NH, location and transferring that activity to an existing contract manufacturer. Second, we had a \$1.6 million of non-recurring charge in fiscal year 2017 associated with excess and obsolete inventory and purchase commitments related to the discontinued ClearLink DAS program as detailed in the overview section above.

ISMS segment gross margin increased slightly, by 0.9%. Additional factors included improved deployment services margins and an overall favorable revenue mix among hardware (remote units), software (Optima), support services, and deployment services.

CNS segment gross margin decreased slightly, by 1.4%. Additional factors included higher charges for excess and obsolete inventory and a less favorable revenue mix among integrated cabinets, power distribution, network connectivity, T1 NIUs, and TMAs.

Research and development (R&D)

(in thousands)	Fiscal Year Ended March 31,		Increase (Decrease)
	2018	2017	2018 vs. 2017
IBW	\$ 4,141	\$ 6,738	\$ (2,597)
ISMS	2,264	3,955	(1,691)
CNS	970	1,674	(704)
Consolidated R&D expense	\$ 7,375	\$ 12,367	\$ (4,992)
Percentage of Revenue	13%	20%	

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In fiscal year 2018, R&D expense decreased \$5.0 million compared to fiscal year 2017. While the Company reduced its R&D expenses across all three segments down to a level more suitable to current revenues, one large reason for the lower R&D expenses in fiscal year 2018 was the full year impact of the fiscal year 2017 discontinuation of the development of the ClearLink DAS program as detailed in the overview section above.

Sales and marketing (S&M)

(in thousands)	Fiscal Year Ended March 31,		Increase (Decrease)
	2018	2017	2018 vs. 2017
Consolidated S&M expense	\$ 8,290	\$ 10,344	\$ (2,054)
Percentage of Revenue	14%	16%	

In fiscal year 2018, sales and marketing expense decreased \$2.1 million compared to fiscal year 2017. The decrease was due primarily from lower payroll related expenses in our sales organization.

General and administrative (G&A)

(in thousands)	Fiscal Year Ended March 31,		Increase (Decrease)
	2018	2017	2018 vs. 2017
Consolidated G&A expense	\$ 6,602	\$ 7,991	\$ (1,389)
Percentage of Revenue	11%	13%	

In fiscal year 2018, general and administrative expenses decreased \$1.4 million compared to fiscal year 2017. The reduction resulted primarily due to lower payroll and headcount related expenses.

Intangible amortization

(in thousands)	Fiscal Year Ended March 31,		Increase (Decrease)
	2018	2017	2018 vs. 2017
Consolidated intangible amortization	\$ 4,189	\$ 4,764	\$ (575)

The intangible assets consist of product technology, customer relationships, trade names, and backlog derived from acquisitions. The decrease of \$0.6 million in fiscal year 2018 compared to fiscal year 2017 resulted primarily from product related intangibles from the HyperEdge, Noran Tel, and the non-compete intangible from the Kentrox acquisition becoming fully amortized. The fiscal year 2017 also includes a \$31,000 intangible impairment charge associated with the customer list acquired from the previous ANTONE acquisition for TMA products sold in the CNS segment.

Restructuring

(in thousands)	Fiscal Year Ended March 31,		Increase (Decrease)
	2018	2017	2018 vs. 2017
Consolidated restructuring expense	\$ 165	\$ 3,155	\$ (2,990)

In fiscal year 2018, the Company recorded a restructuring expense of \$0.2 million related to employee termination costs that spanned all three segments (the 2018 restructuring).

In fiscal year 2017, the Company approved a plan to restructure its business (the 2017 restructuring), including discontinuing development of the ClearLink DAS, a general reduction of headcount that spanned all three segments, and consolidation of facilities in Manchester, NH and Aurora, IL. The Company recognized a restructuring expense of \$3.2 million in the twelve months ended March 31, 2017, inclusive of non-cash charges of approximately \$1.2 million related to leased facilities, \$1.3 million of employee termination costs, and \$0.7 million of other associated costs. In addition to the restructuring expense, a \$1.2 million impairment charge of fixed assets and \$1.6 million of E&O expense for ClearLink DAS inventory and pipeline inventory was recorded in the twelve months ended March 31, 2017, associated with the IBW segment. This restructuring was substantially completed by March 31, 2017.

Long-lived assets impairment

In fiscal year 2017, the Company recognize a \$1.2 million impairment charge on fixed assets related to the ClearLink DAS, which were associated with the IBW segment (See *Restructuring* above). There was no long-lived assets impairment in fiscal year 2018.

Other income (expense)

Other income (expense), net was income of \$0.9 million and \$0.2 million for fiscal years 2018 and 2017, respectively. Other income (expense), net contains interest income earned on short-term investments and foreign currency gains and losses. In fiscal year 2018, the Company recorded a non-recurring foreign currency gain of \$0.6 million related to the wind-down of the

NoranTel legal entity. The remaining foreign currency impacts related primarily to the receivables and cash denominated in Australian and Canadian currencies.

Income tax (expense) benefit

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Act"). The Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering the U.S. corporate federal income tax rate from 34% to 21% effective January 1, 2018. As a result, a blended federal rate of 30.75% is required for the current year income tax expense. Further, the Company is required to re-measure, through income tax expense, its deferred tax assets and liabilities using the enacted rate at which the items are expected to be recovered or settled. During the third quarter of fiscal year 2018, the Company recorded provisional amounts as a result of the re-measurement of the Company's net deferred tax asset did not result in income tax expense due to the Company's full valuation allowance position. The final transition impacts of the Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the Act, any legislative action to address questions that arise because of the Act, any changes in accounting standards for income taxes or related interpretations in response to the Act, or any updates or changes to estimates the Company has utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates. The Securities Exchange Commission has issued guidance that allows for a measurement period of up to one year after the enactment date of the Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments in our Form 10-K for our current fiscal year ending March 31, 2019. As of December 31, 2017, the Company has \$0.7 million of federal alternative minimum tax ("AMT") credit carryforward, which does not expire and is now carried as a tax receivable since, under new federal tax law, the Company expects to recover the entire amount by 2022 via a tax refund. Previously, there was a valuation allowance against the entire AMT credit carryforward. In the third quarter, the Company reversed the portion of the valuation allowance related to the AMT credit carryforward, resulting in a discrete tax benefit of \$0.7 million during fiscal year 2018.

Income tax benefit in fiscal year 2018 was \$0.6 million. Income tax expense in fiscal year 2017 was \$58,000 that resulted from foreign tax and state tax based on gross margin. In fiscal years 2018 and 2017, the Company continued to maintain a full valuation allowance on deferred tax assets.

Net income (loss)

Net income was \$31,000 and net loss was \$15.9 million in fiscal years 2018 and 2017, respectively. The changes were due to the cumulative effects of the variances identified above.

Quarterly Results of Operations

The Company has experienced, and may continue to experience, fluctuations in quarterly results of operations. Such fluctuations in quarterly results may correspond to substantial fluctuations in the market price of the Class A Common Stock. Some factors, which have had an influence on and may continue to influence the Company's results of operations in a particular quarter include, but are not limited to, the size and timing of customer orders and subsequent shipments, customer order deferrals in anticipation of new products, timing of product introductions or enhancements by the Company or its competitors, market acceptance of new products, technological changes in the telecommunications industry, competitive pricing pressures, accuracy of customer forecasts of end-user demand, write-offs for excess or obsolete inventory, changes in the Company's operating expenses, personnel changes, foreign currency fluctuations, changes in the mix of products sold, quality control of products sold, disruption in sources of supplies, regulatory changes, capital spending, delays of payments by customers, working capital deficits and general economic conditions.

Sales to the Company's customers typically involve long approval and procurement cycles and can involve large purchase commitments. Accordingly, cancellation or deferral of orders could cause significant fluctuations in the Company's quarterly results of operations. As a result, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and caution should be used when placing reliance upon such comparisons as indications of future performance.

Liquidity and Capital Resources

Overview

At March 31, 2018, the Company had \$25.0 million in cash and cash equivalents and \$2.8 million of short-term investments.

The Company believes that the existing sources of liquidity and other financing alternatives along with and cash from operations will satisfy cash flow requirements for the foreseeable future.

Cash Flows

The Consolidated Statements of Cash Flows include discontinued operations.

The Company's operating activities generated cash of \$6.9 million and used cash of \$7.0 million in fiscal years 2018 and 2017, respectively. Cash generated in fiscal year 2018 resulted primarily from almost break even net income which includes \$6.2 million of depreciation, amortization, long-lived asset impairments, and stock-based compensation expense, \$0.2 million of restructuring charges and a \$1.8 million increase in working capital. Cash used in fiscal year 2017 resulted primarily from \$15.9 million of net loss that includes, \$8.9 million of depreciation, amortization and stock-based compensation expense, \$3.2 million of restructuring charges and a \$3.2 million decrease in working capital.

The Company's investing activities used cash of \$3.2 million and generated cash of \$10.0 million in fiscal years 2018 and 2017, respectively. In fiscal year 2018, the Company had net purchases of short-term investments of \$2.8 million and used \$0.4 million for the purchases of capital property and equipment. In fiscal year 2017, the Company had net sales of short-term investments of \$10.6 million and used \$0.6 million for the purchases of capital property and equipment.

The Company's financing activities used cash of \$0.6 million and \$0.3 million in fiscal years 2018 and 2017, respectively. The Company purchased \$0.6 million and \$0.2 million of its outstanding stock, in fiscal years 2018 and 2017, respectively, to satisfy the minimum statutory tax withholding obligations on the vesting of restricted stock units and performance-based restricted stock units which is recorded as treasury stock. The Company paid \$0.2 million of contingent consideration in fiscal year 2017 related to the acquisition of ANTONE. The contingent consideration was paid in full as of September 30, 2016.

As of March 31, 2018, the Company had net deferred tax assets of approximately \$37.1 million before a valuation allowance of \$37.1 million. Also, as of March 31, 2018, the Company had a \$3.0 million tax contingency reserve related to uncertain tax positions. Federal net operating loss carryforwards begin to expire in fiscal year 2023. Realization of deferred tax assets associated with the Company's future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards is dependent upon generating sufficient taxable income prior to their expiration, among other factors. The Company weighed positive and negative evidence to assess the need for a valuation allowance against deferred tax assets and whether a tax benefit should be recorded when taxable losses are incurred. The existence of a valuation allowance does not limit the availability of tax assets to reduce taxes payable when taxable income arises. Management periodically evaluates the recoverability of the deferred tax assets and may adjust the valuation allowance against deferred tax assets accordingly.

Off-Balance Sheet Arrangements

The Company has a 50% equity ownership in AccessTel Kentrox Australia PTY LTD (AKA). AKA distributes network management solutions provided by the Company and the other 50% owner to one customer. The Company holds equal voting control with the other owner. All actions of AKA are decided at the board level by majority vote. The Company also has an unlimited guarantee for the performance of the other 50% owner in AKA, who primarily provides support and engineering services to the customer. This guarantee was put in place at the request of the AKA customer. The guarantee, which is estimated to have a maximum potential future payment of \$0.7 million, will stay in place as long as the contract between AKA and the customer is in place. The Company would have recourse against the other 50% owner in AKA in the event the guarantee is triggered. The Company determined that it could perform on the obligation it guaranteed at a positive rate of return and, therefore, did not assign value to the guarantee.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's Consolidated Financial Statements required by Item 8, together with the reports thereon of the Independent Registered Public Accounting Firms are set forth on pages 31—56 of this report and are incorporated by reference in this Item 8. The Consolidated Financial Statement schedule listed under Item 15(a)(2), is set forth on page 57 of this report and is incorporated by referenced in this Item 8 and should be read in conjunction with the financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's senior management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the design and

operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this annual report (the Evaluation Date). Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded as of the Evaluation Date that the Company's disclosure controls and procedures were effective such that the information relating to the Company, including consolidated subsidiaries, required to be disclosed in the Company's Securities and Exchange Commission (SEC) reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). There are inherent limitations to the effectiveness of any system of internal control over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even an effective system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation in accordance with generally accepted accounting principles. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, with participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2018, based on criteria established in the *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company's internal control over financial reporting was effective as of March 31, 2018.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2018, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

(a) Directors of the Company

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held in September 2018 under the captions "Election of Directors," "Corporate Governance – Board Committees," and "Section 16(a). Beneficial Ownership Reporting Compliance," which information is incorporated herein by reference.

(b) Executive Officers of the Company

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held in September 2018 under the caption "Corporate Governance—Executive Officers," which information is incorporated herein by reference.

Code of Business Conduct

We have adopted a Code of Business Conduct within the meaning of Item 406(b) of Regulation S-K. This Code of Business Conduct applies to all of our directors, officers (including the principal executive officer, principal financial officer, principal accounting officer and any person performing similar functions) and employees. This Code of Business Conduct is publicly available in the corporate governance section on our website at <http://www.westell.com>. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting on its website any amendments to, or waivers from, its Code of Business Conduct applicable to our principal executive officer, principal financial officer, principal accounting officer and any person performing similar functions. Copies of the Code of Business Conduct will be provided free of charge upon written request directed to the Secretary of the Company at the address of the principal executive offices.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held in September 2018 under the captions "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report on Executive Compensation," "Summary Compensation Table," "Grants of Plan-Based Awards," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested," "Potential Payments Upon Termination or Change in Control," and "Director Compensation," which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held in September 2018 under the captions "Ownership of the Capital Stock of the Company," and "Equity Compensation Plan Information," which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held in September 2018 under the caption "Certain Relationships and Related Party Transactions," and "Corporate Governance – Director Independence," which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the sections entitled "Fees to the Company's Auditors" and "Approval of Services Provided by Independent Registered Public Accounting Firm" in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held in September 2018.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following documents are filed as part of this report:

The Consolidated Financial Statements of Westell Technologies, Inc. at March 31, 2018 and 2017, and for each of the two fiscal years in the period ended March 31, 2018, together with the reports of the Independent Registered Public Accounting Firms, are set forth on page 31 through 56 of this Report.

The supplemental financial information listed and appearing hereafter should be read in conjunction with the Consolidated Financial Statements included in the report.

(2) Financial Statement Schedules

The following are included in Part IV of this Report for each of the years ended March 31, 2018 and 2017, as applicable:

Schedule II - Valuation and Qualifying Accounts - page 57

Financial statement schedules not included in this report have been omitted either because they are not applicable or because the required information is shown in the Consolidated Financial Statements or notes thereto, included in this report.

(3) Exhibits

<u>Exhibit Number</u>	<u>Document Description</u>
2.1	Agreement and Plan of Merger, dated as of March 15, 2013, by and among Westell, Inc., Wes Acquisition Sub, Inc., Kentrox, Inc., and Investcorp Technology Ventures II, L.P. (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 18, 2013).
2.2	Stock Purchase Agreement, dated as of March 1, 2014, by and among Westell, Inc., Cellular Specialties, Inc., the shareholders of Cellular Specialties, Inc., Scott T. Goodrich and R. Bruce Wilson, in their capacity as the sellers' representative and each of Scott T. Goodrich, Fred N.S. Goodrich, Kelley Carr, and R. Bruce Wilson (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 3, 2014).
3.1	Amended and Restated Certificate of Incorporation, as amended (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).
3.2	Amended and Restated Bylaws, as amended (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 18, 2015).
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation, dated May 30, 2017 (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 31, 2017).
9.1	Voting Trust Agreement dated February 23, 1994, as amended (incorporated herein by reference to Exhibit 9.1 to the Company's Registration Statement No. 33-98024 on Form S-1, as amended).
9.1(a)	Third Amendment to Voting Trust Agreement, dated as of April 30, 2015 (incorporated herein by reference to Exhibit 1 to Amendment No. 16 to Schedule 13D filed by Robert C. Penny III, Robert W. Foskett and Patrick J. McDonough, Jr. filed on May 5, 2015).

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10.1	Stock Transfer Restriction Agreement entered into by members of the Penny family, as amended (incorporated herein by reference to Exhibits 10.4 and 10.16 to the Company's Registration Statement No. 33-98024 on Form S-1).
10.2	Form of Registration Rights Agreement among Westell Technologies, Inc. and trustees of the Voting Trust dated February 23, 1994 (incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement No. 33-98024 on Form S-1, as amended).
*10.3	1995 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement No. 33-98024 on Form S-1, as amended).
*10.4	Offer Letter for Alfred S. John, date May 2, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 9, 2018).
*10.5	Form of Performance-Based Restricted Stock Unit Award Agreement for award granted to Alfred S. John on May 21, 2018.
*10.6	Form of Restricted Stock Unit Award Agreement for award granted to Alfred S. John on May 21, 2018.
*10.7	Form of Indemnification Agreement for Directors and Officers of the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010).
*10.8	Westell Technologies, Inc. 2004 Stock Incentive Plan, as amended and restated as of June 29, 2010 (incorporated herein by reference to Annex A to the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders filed on July 29, 2010).
*10.9(a)	Form of Restricted Stock Unit Award for awards granted on or prior to April 4, 2011, under the Westell Technologies, Inc. 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended March 31, 2010).
*10.9(b)	Form of Restricted Stock Unit Award Agreement for awards granted subsequent to April 4, 2011, under the Westell Technologies, Inc. 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.10(c) to the Company's Annual Report on Form 10-K for the year ended March 31, 2012).
*10.10(a)	Form of Non-Qualified Stock Option Award under the Westell Technologies, Inc. 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008).
*10.10(b)	Amendment No. 1 to the Form of Non-Qualified Stock Option Award under the Westell Technologies, Inc. 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2015).
*10.11	Form of Stock Option Award Agreement for award granted to Alfred S. John on May 21, 2018.
*10.12	Form of Performance Stock Unit Award Agreement for awards granted subsequent to March 31, 2013 under the Westell Technologies, Inc. 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 28, 2014).
*10.13	Form of Restricted Stock Unit Award under the 2015 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).
*10.14	Westell Technologies, Inc. Incentive Compensation Plan (incorporated herein by reference to Annex B to the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders filed on July 29, 2010).
*10.15	Summary of Director Compensation (incorporated herein by reference to Exhibit 10.1 on the Company's Current Report on Form 8-K filed on September 15, 2017).
*10.16	Form of Non-Employee Director Restricted Stock Award under the 2004 Stock Incentive Plan for awards granted prior to April 2010 (incorporated herein by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended March 31, 2010).

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- *10.17 [Form of Non-Employee Director Restricted Stock Award under the 2004 Stock Incentive Plan for awards granted on or after April 1, 2010 \(incorporated herein by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended March 31, 2010\).](#)
- *10.18 [Form of Non-Qualified Stock Option Award granted subsequent to May 2010 under the Westell Technologies, Inc. 2004 Stock Incentive Plan \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 18, 2013\).](#)
- *10.19 [Form of Performance Stock Unit Award Agreement for awards granted in fiscal year 2014 under the Westell Technologies, Inc. 2004 Stock Incentive Plan \(incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 18, 2013\).](#)
- *10.20 [Form of Restricted Stock Unit Award Agreement for award granted to the leadership team on November 1, 2016 \(incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed for the quarter ended September 30, 2016\).](#)
- *10.21 [Employment agreement for Thomas P. Minichiello \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 28, 2013\).](#)
- *10.22 [Offer Letter for Kirk R. Brannock, dated September 26, 2016 \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 28, 2016\).](#)
- *10.23 [Form of Restricted Stock Unit Award Agreement for award granted to Kirk R. Brannock on March 31, 2018 \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 3, 2018\).](#)
- *10.24 [Form of Restricted Stock Unit Award Agreement for award granted to Kirk R. Brannock on October 17, 2016 \(incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016\).](#)
- *10.25 [Form of Non-Employee Director Restricted Stock Award \(as amended\) under the Westell Technologies, Inc. 2004 Stock Incentive Plan \(incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014\).](#)
- *10.26 [Severance agreement for Jesse Swartwood, dated February 7, 2018 \(incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed for the quarter ended on December 31, 2017\).](#)
- *10.27 [Offer Letter for Kirk R. Brannock, dated November 24, 2017 \(incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on November 27, 2017\).](#)
- *10.28 [Form of Restricted Stock Unit Award Agreement for award granted to J. Thomas Gruenwald on February 10, 2015 \(incorporated herein by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended March 31, 2015\).](#)
- *10.29 [Resignation Letter of Matthew B. Brady, dated November 20, 2017 \(incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on November 27, 2017\).](#)
- *10.30 [Form of Restricted Stock Award Agreement for award granted to Kirk R. Brannock on July 7, 2017 \(incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017\).](#)
- *10.31 [Form of Non-Qualified Stock Option Award under the 2015 Omnibus Incentive Compensation Plan \(incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015\).](#)
- *10.32 [Westell Technologies, Inc. 2015 Omnibus Incentive Plan \(incorporated herein by reference to Annex A to the Company's Definitive Proxy Statement for its 2015 Annual Meeting of Stockholders, which was filed with the Securities and Exchange Commission on July 29, 2015\).](#)
- *10.33 [Form of Non-Employee Director Restricted Stock Award under the 2015 Omnibus Incentive Compensation Plan \(incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015\).](#)
- *10.34 [Offer Letter for Matthew B. Brady, dated July 4, 2017 \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 10, 2017\).](#)
- *10.35 [Letter Regarding Employment Agreement Matters to Thomas P. Minichiello, dated July 5, 2017 \(incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 10, 2017\).](#)

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*10.36	<u>Form of Restricted Stock Unit Award Agreement for award granted to Matthew B. Brady on July 17, 2017 (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017).</u>
*10.37	<u>Form of Performance-Based Restricted Stock Unit Award Agreement for award granted to Matthew B. Brady on July 17, 2017 (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed for the quarter ended June 30, 2017).</u>
*10.38	<u>Form of Non-Qualified Stock Option Award Agreement for award granted to Matthew B. Brady on July 17, 2017 (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed for the quarter ended June 30, 2017).</u>
21.1	<u>Subsidiaries of the Registrant.</u>
23.1	<u>Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm.</u>
31.1	<u>Certification of the Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of the Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.</u>
101	The following financial information from the Annual Report on Form 10-K for the year ended March 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income (Loss); (iv) the Consolidated Statements of Stockholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to the Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement.

(b) Exhibits

The exhibits filed as part of this Annual Report on Form 10-K are as specified in Item 15(a)(3) herein.

(c) Financial Statement Schedule

The financial statement schedule filed as part of this Annual Report on Form 10-K is as specified in Item 15(a)(2) herein.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 25, 2018.

WESTELL TECHNOLOGIES, INC.

By /s/ Alfred S. John
Alfred S. John
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on May 25, 2018.

Signature	Title
<u> /s/ Alfred S. John </u> Alfred S. John	President and Chief Executive Officer (Principal Executive Officer)
<u> /s/ Thomas P. Minichiello </u> Thomas P. Minichiello	Senior Vice President, Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)
<u> /s/ Kirk R. Brannock </u> Kirk R. Brannock	Director
<u> /s/ Robert W. Foskett </u> Robert W. Foskett	Director
<u> /s/ Dennis O. Harris </u> Dennis O. Harris	Director
<u> /s/ Robert C. Penny III </u> Robert C. Penny III	Director
<u> /s/ Cary B. Wood </u> Cary B. Wood	Director
<u> /s/ Mark A. Zorko </u> Mark A. Zorko	Director

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Westell Technologies, Inc. and subsidiaries

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Westell Technologies, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of March 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the two years in the period ended March 31, 2018, and the related notes and schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2016

Chicago, Illinois
May 25, 2018

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per shares amounts)	March 31, 2018	March 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,963	\$ 21,778
Short-term investments	2,779	—
Accounts receivable (net of allowance of \$95 and \$90 at March 31, 2018 and 2017, respectively)	8,872	12,075
Inventories	9,222	12,511
Prepaid expenses and other current assets	816	1,409
Total current assets	<u>46,652</u>	<u>47,773</u>
Non-current assets:		
Land, property and equipment, gross	8,381	16,062
Less accumulated depreciation and amortization	(6,780)	(14,078)
Land, property and equipment, net	<u>1,601</u>	<u>1,984</u>
Intangible assets, net	11,435	15,624
Other non-current assets	771	160
Total assets	<u>\$ 60,459</u>	<u>\$ 65,541</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,903	\$ 4,163
Accrued expenses	3,328	4,273
Accrued restructuring	63	1,171
Deferred revenue	1,790	2,359
Total current liabilities	<u>7,084</u>	<u>11,966</u>
Deferred revenue non-current	846	1,102
Accrued restructuring non-current	—	63
Other non-current liabilities	234	236
Total liabilities	<u>8,164</u>	<u>13,367</u>
Commitments and contingencies (see Note 5)		
Stockholders' equity:		
Class A common stock, par \$0.01, Authorized – 109,000,000 shares Outstanding – 12,145,743 and 12,015,043 ⁽¹⁾ shares at March 31, 2018 and 2017, respectively	121	120 ⁽¹⁾
Class B common stock, par \$0.01, Authorized – 25,000,000 shares Issued and outstanding – 3,484,287 ⁽¹⁾ shares at both March 31, 2018 and 2017	35	35 ⁽¹⁾
Preferred stock, par \$0.01, Authorized – 1,000,000 shares Issued and outstanding – none	—	—
Additional paid-in capital	417,691	416,422 ⁽¹⁾
Treasury stock at cost – 4,633,871 and 4,440,660 ⁽¹⁾ shares at March 31, 2018 and 2017, respectively	(35,907)	(35,335)
Cumulative translation adjustment	—	608
Accumulated deficit	(329,645)	(329,676)
Total stockholders' equity	<u>52,295</u>	<u>52,174</u>
Total liabilities and stockholders' equity	<u>\$ 60,459</u>	<u>\$ 65,541</u>

⁽¹⁾ All common stock (except authorized shares), equity share, and per share amounts have been retroactively adjusted to reflect a one-for-four reverse stock split, which was effective June 7, 2017.

The accompanying notes are an integral part of these Consolidated Financial Statements.

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Fiscal Year Ended March 31,	
	2018	2017
Revenue		
Products	\$ 53,459	\$ 56,530
Services	5,118	6,435
Total revenue	58,577	62,965
Cost of revenue		
Products	31,829	36,119
Services	1,581	3,097
Total cost of revenue	33,410	39,216
Gross profit	25,167	23,749
Operating expenses		
Research and development	7,375	12,367
Sales and marketing	8,290	10,344
General and administrative	6,602	7,991
Intangible amortization	4,189	4,764
Restructuring	165	3,155
Long-lived assets impairment	—	1,181
Total operating expenses	26,621	39,802
Operating income (loss)	(1,454)	(16,053)
Other income (expense), net	888	170
Income (loss) before income taxes	(566)	(15,883)
Income tax (expense) benefit	597	(58)
Net income (loss)	\$ 31	\$ (15,941)
Net income (loss) per share:		
Basic	\$ —	\$ (1.04) ⁽¹⁾
Diluted	\$ —	\$ (1.04) ⁽¹⁾
Weighted-average number of shares outstanding:		
Basic	15,497	15,344 ⁽¹⁾
Effect of dilutive securities: restricted stock, restricted stock units, performance stock units and stock options ⁽²⁾	210	— ⁽¹⁾
Diluted	15,707	15,344 ⁽¹⁾

⁽¹⁾ All common stock (except authorized shares), equity share, and per share amounts have been retroactively adjusted to reflect a one-for-four reverse stock split, which was effective June 7, 2017.

⁽²⁾ The Company has 0.3 million and 1.2 million shares represented by common stock equivalents for the twelve months ended March 31, 2018 and 2017, respectively, which were not included in the computation of average dilutive shares outstanding because they were anti-dilutive. In periods with a net loss from continuing operations, the basic loss per share equals the diluted loss per share as all common stock equivalents are excluded from the per share calculation because they are anti-dilutive.

The accompanying notes are an integral part of these Consolidated Financial Statements.

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Fiscal Year Ended March 31,	
	2018	2017
Net income (loss)	\$ 31	\$ (15,941)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(608)	—
Total other comprehensive income (loss)	(608)	—
Total comprehensive income (loss)	\$ (577)	\$ (15,941)

The accompanying notes are an integral part of these Consolidated Financial Statements.

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Treasury Stock	Accumulated Translation Adjustment	Accumulated Deficit	Total Stockholders' Equity
Balance, March 31, 2016 (1)	\$ 118	\$ 35	\$ 414,832	\$ (35,174)	\$ 608	\$ (313,735)	\$ 66,684
Net income (loss)	—	—	—	—	—	(15,941)	(15,941)
Common stock issued	4	—	(4)	—	—	—	—
Purchase of treasury stock	(2)	—	—	(161)	—	—	(163)
Stock-based compensation	—	—	1,594	—	—	—	1,594
Balance, March 31, 2017 (1)	\$ 120	\$ 35	\$ 416,422	\$ (35,335)	\$ 608	\$ (329,676)	\$ 52,174
Net income (loss)	—	—	—	—	—	31	31
Translation adjustment (2)	—	—	—	—	(608)	—	(608)
Common stock issued	3	—	(2)	—	—	—	1
Purchase of treasury stock	(2)	—	—	(572)	—	—	(574)
Stock-based compensation	—	—	1,271	—	—	—	1,271
Balance, March 31, 2018	\$ 121	\$ 35	\$ 417,691	\$ (35,907)	\$ —	\$ (329,645)	\$ 52,295

(1) All common stock (except authorized shares), equity share, and per share amounts have been retroactively adjusted to reflect a one-for-four reverse stock split, which was effective June 7, 2017.

(2) During the quarter ended September 30, 2017, the Company dissolved the NoranTel legal entity, which triggered a one-time foreign currency gain with the reversal of a cumulative translation adjustment. See Note 1.

The accompanying notes are an integral part of these Consolidated Financial Statements.

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Year Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$ 31	\$ (15,941)
Reconciliation of net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,957	6,144
Long-lived assets impairment	—	1,181
Stock-based compensation	1,271	1,594
Exchange rate loss (gain)	2	2
Loss (gain) on sale of fixed assets	22	27
Restructuring	165	3,155
Gain on disposal of foreign operations	(608)	—
Deferred taxes	(697)	(10)
Changes in assets and liabilities:		
Accounts receivable	3,200	4,281
Inventories	3,289	987
Prepaid expenses and other current assets	593	491
Other assets	86	24
Deferred revenue	(825)	624
Accounts payable and accrued expenses	(4,057)	(8,320)
Accrued compensation	(484)	(1,250)
Net cash provided by (used in) operating activities	<u>6,945</u>	<u>(7,011)</u>
Cash flows from investing activities:		
Maturities of held-to maturity short-term debt securities	—	12,621
Maturities of other short-term investments	2,232	—
Purchases of held-to maturity short-term debt securities	—	(2,066)
Purchases of other short-term investments	(5,011)	—
Purchases of property and equipment	(408)	(596)
Proceeds from sale of assets	2	—
Net cash provided by (used in) investing activities	<u>(3,185)</u>	<u>9,959</u>
Cash flows from financing activities:		
Purchases of treasury stock	(574)	(163)
Payment of contingent consideration	—	(175)
Net cash provided by (used in) financing activities	<u>(574)</u>	<u>(338)</u>
Gain (loss) of exchange rate changes on cash	(1)	(1)
Net increase (decrease) in cash and cash equivalents	<u>3,185</u>	<u>2,609</u>
Cash and cash equivalents, beginning of period	21,778	19,169
Cash and cash equivalents, end of period	<u>\$ 24,963</u>	<u>\$ 21,778</u>
Supplemental disclosures of cash flow information:		
Cash paid (refunded) for income taxes, net	\$ 28	\$ (108)

The accompanying notes are an integral part of these Consolidated Financial Statements.

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation:

Description of Business

Westell Technologies, Inc. (the Company) is a holding company. Its wholly owned subsidiary, Westell, Inc., designs and distributes telecommunications products, which are sold primarily to major telephone companies. During the second quarter ended September 30, 2017, the Company dissolved Noran Tel, Inc. (NoranTel) a wholly owned subsidiary of Westell, Inc. NoranTel's operations have been fully incorporated into Westell, Inc. As a result of the wind-up of NoranTel, the Company recognized a one-time \$0.6 million foreign currency translation gain, which is presented in Other income, net on the Consolidated Statements of Operations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and its majority owned subsidiaries. The Consolidated Financial Statements have been prepared using accounting principles generally accepted in the United States (GAAP). All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and that affect revenue and expenses during the periods reported. Estimates are used when accounting for the allowance for uncollectible accounts receivable, net realizable value of inventory, product warranty accrued, relative selling prices, stock-based compensation, goodwill and intangible assets fair value, depreciation, income taxes, and contingencies, among other things. The Company bases its estimate on historical experience and on other assumptions that its management believes are reasonable under the circumstances. Actual results could differ from those estimates.

Reverse Stock Split

All common stock, equity, share and per share amounts in the financial statements and notes have been retroactively adjusted to reflect a one-for-four reverse stock split, which was effective June 7, 2017.

Note 2. Summary of Significant Accounting Policies:

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less when purchased and include bank deposits and money market funds. Money market funds are accounted for as available-for-sale securities under the requirements of ASC Topic 320, *Investments – Debt and Equity Securities* (ASC 320).

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount less payment discounts and estimated allowance for doubtful accounts. The Company provides allowances for doubtful accounts related to accounts receivable for estimated losses resulting from the inability of its customers to make required payments. The Company takes into consideration the overall quality of the receivable portfolio along with specifically identified customer risks. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations to the Company, the Company provides allowances for bad debts against amounts due to reduce the net realized receivable to the amount it reasonably believes will be collected. In certain of the Company's contracts, contractual billings do not coincide with revenue recognized on the contract. Unbilled accounts receivable represent revenue recorded in excess of amounts billable pursuant to contract provisions and, generally, become billable at contractually specified dates. Unbilled amounts are expected to be collected within one year.

Short-term Investments

Certificates of deposit held for investment with an original maturity greater than 90 days and less than one year are carried at cost and reported as Short-term investments on the Consolidated Balance Sheets. The certificates of deposit are not debt securities.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, and trade receivables. The Company currently invests its excess cash in prime money market funds. The cash in the Company's U.S. banks is insured by the Federal Deposit Insurance Corporation up to the insurable limit of \$250,000.

Income (Loss) per Share

The computation of basic net income (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share includes the number of additional common shares that would have been outstanding if the dilutive potential shares had been issued. In periods with a net loss, all common stock equivalents are excluded from the per share calculation; therefore, the basic loss per share equals the diluted loss per share.

Inventories and Inventory Valuation

Inventories are stated at the lower of first-in, first-out (FIFO) cost or market value. Market value is based upon an estimated average selling price reduced by estimated costs of disposal. Should actual market conditions differ from the Company's estimates, the Company's future results of operations could be materially affected. Reductions in inventory valuation are included in cost of goods sold in the accompanying Consolidated Statements of Operations. The Company reviews inventory for excess quantities and obsolescence based on its best estimates of future demand, product lifecycle status and product development plans. The Company uses historical information along with these future estimates to reduce the inventory cost basis. Subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. Prices anticipated for future inventory demand are compared to current and committed inventory values.

The components of inventories are as follows:

(in thousands)	March 31,	
	2018	2017
Raw materials	\$ 2,969	\$ 3,871
Finished goods	6,253	8,640
Total inventories	\$ 9,222	\$ 12,511

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets generally consist of prepaid product royalty, prepaid maintenance agreements and prepaid rent, which are amortized as expense generally over the term of the underlying contract or estimated product life.

Land, Property and Equipment

Land, property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, or for leasehold improvements, the shorter of the remaining lease term or the estimated useful life. The estimated useful lives for machinery and equipment range from 5 to 7 years and for office, computer and research equipment from 2 to 5 years. Expenditures for major renewals and improvements that extend the useful life of property and equipment are capitalized.

Depreciation and amortization expense was \$0.8 million and \$1.4 million for fiscal years 2018 and 2017, respectively. In accordance with ASC Topic 360, *Property, Plant and Equipment* (ASC 360), the Company assesses all of its long-lived assets, including intangibles, for impairment when impairment indicators are identified. If the carrying value of an asset exceeds its undiscounted cash flows, an impairment loss may be necessary. An impairment loss is calculated as the difference between the carrying value and the fair value of the asset.

The Company acquired 16 acres of land with an acquisition and sold 4 acres in April 2015 for \$264,000. The remaining 12 acres of land remains on the market. The Company concluded that a sale transaction for the remaining land is not probable within the next year; therefore, unsold land is classified as held-and-used as of March 31, 2018 and 2017.

In the first quarter of fiscal year 2017, the Company approved a restructuring plan (the 2017 restructuring), including discontinuing development of the ClearLink Distributed Antenna System (DAS), a general reduction of headcount that spans all three segments, and consolidation of facilities in Manchester, NH and Aurora, IL. As a result, the Company recognized a \$1.2 million impairment charge on fixed assets related to the ClearLink DAS, which were associated with the IBW segment. No impairment losses were recorded in fiscal year 2018.

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The components of fixed assets are as follows:

(in thousands)	March 31,	
	2018	2017
Land	\$ 672	\$ 672
Machinery and equipment	1,296	1,698
Office, computer and research equipment	5,175	6,012
Leasehold improvements	1,238	7,680
Land, property and equipment, gross	\$ 8,381	\$ 16,062
Less accumulated depreciation and amortization	(6,780)	(14,078)
Land, property and equipment, net	\$ 1,601	\$ 1,984

The significant decrease in the gross fixed assets and accumulated depreciation is primarily related to the disposals of fully depreciated leasehold improvements associated with a building operating lease that ended on September 30, 2017.

Intangible Assets

If the Company concludes that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value, a quantitative fair value assessment is performed and compared to the carrying value. If the fair value is less than the carrying value, impairment is recorded.

Intangible assets with determinable lives are amortized on a straight-line basis over their respective estimated useful lives. If the Company were to determine that a change to the remaining estimated useful life of an intangible asset was necessary, then the remaining carrying amount of the intangible asset would be amortized prospectively over that revised remaining useful life. On an ongoing basis, the Company reviews intangible assets with a definite life and other long-lived assets other than goodwill for impairment whenever events and circumstances indicate that carrying values may not be recoverable. If such events or changes in circumstances occur, the Company will recognize an impairment loss if the undiscounted future cash flow expected to be generated by the asset is less than the carrying value of the related asset. Any impairment loss would adjust the asset to its implied fair value.

See Note 4, Intangible Assets for further discussion of intangible evaluations.

Accrued Expenses

The components of accrued expenses are as follows:

(in thousands)	March 31,	
	2018	2017
Accrued compensation	\$ 772	\$ 1,256
Accrued contractual obligation	1,445	1,445
Other accrued expenses	1,111	1,572
Total accrued expenses	\$ 3,328	\$ 4,273

Revenue Recognition and Deferred Revenue

The Company's revenue is derived from the sale of products, software, and services. The Company records revenue from product sales transactions when title and risk of loss are passed to the customer, there is persuasive evidence of an arrangement for sale, delivery has occurred and/or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured.

Revenue recognition on equipment, where software is incidental to the product as a whole or, where software is essential to the equipment's functionality and falls under software accounting scope exceptions, generally occurs when products are shipped, risk of loss has transferred to the customer, objective evidence exists that customer acceptance provisions have been met, no significant obligations remain, collection is reasonably assured and warranty can be estimated.

Revenue recognition, where software is more than incidental to the product as a whole or, where software is sold on a stand-alone basis occurs when the software is delivered and ownership and risk of loss are transferred.

The Company also recognizes revenue from deployment services, maintenance agreements, training and professional services. Deployment services revenue results from installation of products at customer sites. Deployment services are not services required for the functionality of products, because customers do not have to purchase installation services from the Company, and may install products themselves, or hire third parties to perform the installation services. Revenue for deployment services, training and professional services is recognized upon completion and acceptance. Revenue from maintenance agreements is recognized ratably over the service period.

When a multiple element arrangement exists, the fee from the arrangement is allocated to the various deliverables, so the proper amount can be recognized as revenue as each element is delivered. Based on the composition of the arrangement, the Company analyzes the provisions of the accounting guidance to determine the appropriate model that is applied towards accounting for the multiple element arrangement. If the arrangement includes a combination of elements that fall within different applicable guidance, the Company follows the provisions of the hierarchical literature to separate those elements from each other and apply the relevant guidance to each.

If deliverables do not fall within the software revenue recognition guidance, the fair value of each element is established using the relative selling price method, which requires the Company to use vendor-specific objective evidence (VSOE), reliable third-party objective evidence or management's best estimate of selling price, in that order.

If deliverables fall within the software revenue recognition guidance, the fee is allocated to the various elements based on VSOE of fair value. If sufficient VSOE of fair value does not exist for the allocation of revenue to all the various elements in a multiple element arrangement, all revenue from the arrangement is deferred until the earlier of the point at which such sufficient VSOE of fair value is established or all elements within the arrangement are delivered. If VSOE of fair value exists for all undelivered elements, but does not exist for one or more delivered elements, the arrangement consideration is allocated to the various elements of the arrangement using the residual method of accounting. Under the residual method, the amount of the arrangement consideration allocated to the delivered elements is equal to the total arrangement consideration less the aggregate fair value of the undelivered elements. Using this method, any potential discount on the arrangement is allocated entirely to the delivered elements, which ensures that the amount of revenue recognized at any point in time is not overstated. Under the residual method, if VSOE of fair value exists for the undelivered element, generally maintenance, the fair value of the undelivered element is deferred and recognized ratably over the term of the maintenance contract, and the remaining portion of the arrangement is recognized as revenue upon delivery, which generally occurs upon delivery of the product.

The Company has established VSOE. The application of VSOE methodologies requires judgment, including the identification of individual elements in multiple element arrangements and whether there is VSOE of fair value for some or all elements.

The Company's product return policy allows customers to return unused equipment for partial credit if the equipment is non-custom product, returned within specified time limits, and currently being manufactured and sold. Credit is not offered on returned products that are no longer manufactured and sold.

The Company records revenue net of sales returns and sales taxes in accordance with ASC Topic 605, *Revenue Recognition* (ASC 605).

Shipping and Handling

Freight billed to customers is recorded as revenue. The Company classifies shipping and handling costs associated with the distribution of finished product to our customers as cost of revenue.

Product Warranties

Most of the Company's products carry a limited warranty of up to seven years. The Company accrues for estimated warranty costs as products are shipped based on historical sales and cost of repair or replacement trends relative to sales. See Note 6 for further discussion of the Company's product warranties.

Research and Development Costs

Engineering and product research and development costs are charged to expense as incurred.

Stock-based Compensation

The Company recognizes stock-based compensation expense for all employee stock-based payments based upon the fair value on the awards grant date over the requisite service period. If the awards are performance based, the Company must estimate future performance attainment to determine the number of awards expected to vest. Determining the fair value of equity-based options requires the Company to estimate the expected volatility of its stock, the risk-free interest rate, expected option term, and expected dividend yield. The Company accounts for forfeitures as they occur.

See Note 8 for further discussion of the Company's stock-based compensation plans.

Fair Value Measurements

The Company accounts for the fair value of assets and liabilities in accordance with ASC 820. ASC 820 defines fair value and establishes a framework for measuring fair value as required by other accounting pronouncements. See Note 12 for further discussion of the Company's fair value measurements.

Foreign Currency

The Company's primary foreign currency exposure is subject to fluctuations in exchange rates for the U.S. dollar versus the Australian and Canadian dollar and the related effects on receivables and payables denominated in those currencies. The

Company records transaction gains (losses) for fluctuations on foreign currency rates on accounts receivable, accounts payable, and cash as a component of other income (expense), net on the Consolidated Statements of Operations.

Income Taxes

The Company accounts for income taxes under the provisions of ASC Topic 740, *Income Taxes* (ASC 740). ASC 740 requires an asset and liability based approach in accounting for income taxes. Deferred income tax assets, including net operating loss (NOL) and certain tax credit carryovers and liabilities, are recorded based on the differences between the financial statement and tax bases of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the tax differences are expected to reverse. Valuation allowances are provided against deferred tax assets, which are assessed as not likely to be realized. On a quarterly basis, management evaluates the recoverability of deferred tax assets and the need for a valuation allowance. This evaluation requires the use of estimates and assumptions and considers all positive and negative evidence and factors, such as the scheduled reversal of temporary differences, the mix of earnings in the jurisdictions in which the Company operates, and prudent and feasible tax planning strategies. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the dates of enactment. The Company accounts for unrecognized tax benefits based upon its assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. The Company reports a liability for unrecognized tax benefits resulting from unrecognized tax benefits taken or expected to be taken in a tax return and recognizes interest and penalties, if any, related to its unrecognized tax benefits in income tax expense. See Note 3 for further discussion of the Company's income taxes.

Recently Adopted Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* (ASU 2015-11). The core principle of the guidance is that an entity should measure inventory at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The ASU defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation." The Company adopted ASU 2015-11 on April 1, 2017. The adoption of this ASU did not have a material impact to the Company's Consolidated Financial Statements or related disclosures.

Recently Issued and Newly Adopted Accounting Pronouncements

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting* (ASU 2017-09). ASU 2017-09 clarifies which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The standard is effective for annual periods, and interim periods within those annual reporting periods, beginning after December 15, 2017, with early adoption permitted. The Company does not expect the adoption of ASU 2017-09 to have a material impact on the Company's Consolidated Financial Statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory* (ASU 2016-16). ASU 2016-16 requires the recognition of current and deferred income taxes for intra-entity asset transfers when the transaction occurs. ASU 2016-16 is effective for annual periods, and interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted. ASU 2016-16 is effective for the Company in the first quarter of fiscal 2019, and the Company does not expect the adoption of ASU 2016-16 to have a material impact on the Company's Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flow (Topic 230)* (ASU 2016-15). This update is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The update provides new guidance regarding the classification of debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investments, beneficial interests in securitized transactions, and separately identifiable cash flows and application of the predominance principle. This standard will be effective for financial statements issued by public companies for annual periods, and interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption of the standard is permitted. The standard will be applied in a retrospective approach for each period presented. The Company does not anticipate any immediate impact to the Company upon adoption of ASU 2016-15 as the Company currently does not have any debt.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). In September 2017, the FASB issued ASU 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)* (ASU 2017-13), which provides additional implementation guidance on the previously issued ASU 2016-02. ASU 2016-02 requires lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for financial statements issued for fiscal years

beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Company is currently evaluating the impact that ASU 2016-02 will have on the Company's Consolidated Financial Statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. ASU 2014-09 is initially scheduled to become effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period; early adoption is not permitted. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) — Deferral of the Effective Date* (ASU 2015-14), which defers the effective date of ASU 2014-09 for one year and permits early adoption as early as the original effective date of ASU 2014-09. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. In 2016, the FASB issued additional guidance to clarify the implementation guidance (ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations*; ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*; ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*; and ASU 2016-20 (Topic 606) *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. In September 2017, the FASB issued ASU 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)*. In November 2017, the FASB issued ASU 2017-14, *Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)*. These amendments provide additional clarification and implementation guidance on the previously issued ASU 2014-09.

The Company commenced the assessment of ASU 2014-09 during the first quarter of fiscal year 2018 and developed a project plan to guide the implementation. The assessment included (1) a comprehensive review of the guidance noting areas where differences in recognition and measurement may result from adopting the new standard (2) detailed contract analyses for each material revenue stream with its most significant customers (3) evaluated existing systems, concluding they are adequate to capture the appropriate data and (4) began the drafting of its accounting policies and new disclosure requirements to be included in the first quarter of fiscal 2018 Form 10-Q. Noteworthy changes will include accelerated revenue recognition for right-to-use licenses that did not have VSOE, revised balance sheet presentation of return reserve as a refund liability under current liabilities instead of as net within accounts receivable, and additional disclosures about timing of revenue recognition and significant judgments made.

The Company anticipates adopting certain practical expedients related to significant finance components and costs to obtain a contract. The Company also anticipates to make certain policy elections related to the accounting for sales taxes, and shipping and handling. The Company adopted this new standard effective April 1, 2018, using the modified retrospective method that will result in a cumulative effect adjustment of \$0.3 million as of the date of adoption.

Note 3. Income Taxes:

The Company utilizes the liability method of accounting for income taxes and deferred taxes which are determined based on the differences between the financial statements and tax bases of assets and liabilities given the provisions of the enacted tax laws. In assessing the realizability of the deferred tax assets, the Company considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized through the generation of future taxable income. In making this determination, the Company assessed all of the evidence available at the time including recent earnings, forecasted income projections, and historical financial performance. The Company has fully reserved deferred tax assets as a result of this assessment.

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The income tax expense (benefit) from continuing operations are summarized as follows:

(in thousands)	Fiscal Year Ended March 31,	
	2018	2017
Federal:		
Current	\$ (697)	\$ —
Deferred	7	(1)
	<u>(690)</u>	<u>(1)</u>
State:		
Current	52	44
Deferred	2	1
	<u>54</u>	<u>45</u>
Foreign:		
Current	39	24
Deferred	—	(10)
	<u>39</u>	<u>14</u>
Total	<u>\$ (597)</u>	<u>\$ 58</u>

The statutory federal income tax rate is reconciled to the Company's effective income tax rates below:

	Fiscal Year Ended March 31,	
	2018	2017
Statutory federal income tax rate	30.8 %	34.0 %
Meals and entertainment	(4.5)	(0.3)
State income tax, net of federal tax effect	84.5	3.5
Valuation allowance	2,677.8	(34.7)
Impact of Tax Reform	(2,686.5)	—
Deferred tax adjustments	—	(0.4)
Foreign tax credit	(8.9)	0.2
Equity compensation	(20.4)	(2.5)
NoranTel CTA Adjustment	33.0	—
Other	(0.3)	(0.2)
Effective income tax rate	<u>105.5 %</u>	<u>(0.4)%</u>

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Components of the net deferred income tax assets are as follows:

(in thousands)	March 31,	
	2018	2017
Deferred income tax assets:		
Allowance for doubtful accounts	\$ 24	\$ 34
Alternative minimum tax credit carryforward	—	697
Foreign tax credit carryforward	812	845
Depreciation	227	1,257
Deferred revenue	675	1,316
Accrued compensation	358	726
Inventory reserves	948	3,303
Accrued warranty	77	150
Net operating loss carryforward	34,924	46,156
Accrued restructuring	16	469
Other	660	940
Gross deferred tax assets	38,721	55,893
Valuation allowance	(37,103)	(52,190)
Net deferred income tax assets	1,618	3,703
Deferred income tax liabilities:		
Intangibles and goodwill	(1,618)	(3,703)
Net deferred income tax liabilities	\$ —	\$ —

In fiscal years 2018 and 2017, the Company continued to maintain a full valuation allowance on deferred tax assets. The valuation allowance decreased by \$15.1 million in fiscal year 2018. The Company recorded an income tax benefit from continuing operations of \$597,000 in fiscal year 2018. In fiscal year 2017, the Company recorded an income tax expense from continuing operations of \$58,000, that resulted from foreign tax and state tax based on gross margin.

The Company has, on a tax-effected basis, approximately \$0.8 million in tax credit carryforwards and \$25.9 million of federal net operating loss carryforwards that are available to offset taxable income in the future. The tax credit carryforwards will begin to expire in fiscal year 2022. Tax credit carryforward of \$0.7 million has been reclassified to receivable in fiscal year 2018. The federal net operating loss carryforwards begin to expire in fiscal year 2023. State net operating loss carryforwards, on a tax effected basis and net of federal tax benefits, are \$9.1 million. The remaining state net operating loss carry forwards begin to expire in fiscal year 2019. In fiscal year 2018, \$4,000 of state net operating loss carryforwards expired.

The Company accounts for uncertainty in income taxes under ASC 740, which prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

A reconciliation of the beginning and ending balances of the total amounts of unrecognized tax benefits for fiscal years 2017 and 2018 is as follows:

	(in thousands)
Unrecognized tax benefits at March 31, 2016	\$ 2,962
Additions based on positions related to fiscal year 2017	—
Unrecognized tax benefits at March 31, 2017	2,962
Additions based on positions related to fiscal year 2018	—
Unrecognized tax benefits at March 31, 2018	\$ 2,962

If the unrecognized tax benefit balances at March 31, 2018 and 2017, were recognized, it would affect the effective tax rate.

The Company recognized interest and penalties of \$2,000 as a component of income tax expense in both fiscal years 2018 and 2017. As of March 31, 2018 and 2017, accrued interest and penalties were \$15,300 and \$11,200, respectively.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates.

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With few exceptions, the major jurisdictions subject to examination by the relevant taxable authorities, and open tax years, stated as the Company's fiscal years, are as follows:

Jurisdiction	Open Tax Years
U.S. Federal	2014 - 2017
U.S. States	2013 - 2017
Foreign	2013 - 2017

Since net operating loss carryovers are subject to audit based on the year in which they are utilized, all of the Company's net operating losses generated in the past are open to adjustment to the Internal Revenue Service or state tax authorities (some states have shorter carryover periods).

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Act"). The Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering the U.S. corporate federal income tax rate from 34% to 21% effective January 1, 2018. As a result, a blended federal rate of 30.75% is required for the current year income tax expense. Further, the Company is required to re-measure, through income tax expense, its deferred tax assets and liabilities using the enacted rate at which the items are expected to be recovered or settled. During the third quarter, the Company recorded provisional amounts as a result of the re-measurement of the Company's net deferred tax asset did not result in income tax expense due to the Company's full valuation allowance position.

Total net deferred tax assets decreased by \$15.1 million, which includes a reclassification of the federal alternative minimum tax ("AMT") credit to long term receivable. As of March 31, 2018, the Company had net deferred tax assets of approximately \$37.1 million before a valuation allowance of \$37.1 million.

The final transition impacts of the Act may differ from the above estimate, due to, among other things, changes in interpretations of the Act, any legislative action to address questions that arise because of the Act, any changes in accounting standards for income taxes or related interpretations in response to the Act, or any updates or changes to estimates the Company has utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates. The Securities Exchange Commission has issued guidance that allows for a measurement period of up to one year after the enactment date of the Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments in the period the Company files the fiscal year ending March 31, 2018 income tax return.

As of March 31, 2018, the Company has \$697,000 of AMT credit carryforward, which does not expire and is now carried as a tax receivable since, under new federal tax law, the Company expects to recover the entire amount by 2022 via a tax refund. Previously, there was a valuation allowance against the entire AMT credit carryforward. In the third quarter, the Company reversed the portion of the valuation allowance related to the AMT credit carryforward, which resulted in a discrete tax benefit of \$697,000. The total refundable amount is not reduced by the sequestration rate since the fiscal year 2018 Consolidated Federal return is not expected to be filed until the third quarter of fiscal year 2019, and the sequestration rate for fiscal year 2019 is not yet available as of fiscal year 2018.

Note 4. Intangible Assets:

The Company has recorded intangible assets, such as trademark, developed technology, non-compete agreements, backlog, and customer relationships, and accounts for these in accordance with ASC 350.

Intangible assets include finite-lived customer relationships, trade names, developed technology and other intangibles. Intangible assets with determinable lives are amortized over the estimated useful lives of the assets. These intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying amount over its fair value. Intangible asset impairment charges are presented in intangible amortization on the Consolidated Statements of Operations.

There was no intangible asset impairment during fiscal year 2018, for the IBW, ISMS and CNS reporting units.

In fiscal year 2017, as a result of the Company reorganizing its reporting structure in the first quarter of fiscal year 2017, the Company reassigned assets and liabilities to reporting units. During each quarter of fiscal year 2017, the Company experienced triggering events that resulted in the Company testing its intangible assets for impairment. In evaluating whether it is more likely than not that the fair value of the Company's reporting units were less than their carrying value, the Company assessed all relevant events and circumstances and determined that, due to the overall financial performance of the Company and recent change in reporting structure, indicators of impairment were present.

The Company performed an evaluation to test IBW, ISMS and CNS intangible assets for recoverability and concluded there was no impairment during the fiscal year ended March 31, 2017, for the IBW and ISMS the reporting units. During the third quarter of fiscal year 2017, CNS revenue declined more than previously forecasted. As a result, the CNS reporting unit did not pass the recoverability test; therefore, the Company completed the second step of the evaluation, which compares the implied fair value of the intangible assets as determined using the multiple-period excess earnings method and the distributor model, with the carrying value to determine the amount of the impairment loss. As a result of that impairment evaluation, the Company concluded that the customer list acquired from the previous ANTONE acquisition for its TMA products was impaired and recorded an impairment charge of \$31,000 during the quarter ended December 31, 2016, to reduce the value of the asset to \$0.1 million, which will be amortized over the then remaining useful life of 1.5 years. The impairment loss is presented on the Statement of Operations as Intangible amortization.

The following table presents details of the Company's intangibles from historical acquisitions:

(in thousands)	March 31, 2018			March 31, 2017		
	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount
Backlog	\$ 1,530	\$ (1,530)	\$ —	\$ 1,530	\$ (1,530)	\$ —
Customer relationships	23,260	(14,320)	8,940	24,867	(13,547)	11,320
Product technology	45,195	(43,034)	2,161	45,234	(41,431)	3,803
Non-compete	510	(510)	—	510	(510)	—
Trade name and trademark	1,473	(1,139)	334	1,848	(1,347)	501
Total finite-lived intangible assets, net	\$ 71,968	\$ (60,533)	\$ 11,435	\$ 73,989	\$ (58,365)	\$ 15,624

The finite-lived intangibles are being amortized over periods of two to ten years using either a straight line method or the consumption period based on expected cash flows from the underlying intangible asset. Finite-lived intangible amortization expense from continuing operations was \$4.2 million and \$4.8 million in fiscal years 2018 and 2017. The following is the expected future amortization by fiscal year:

(in thousands)	2019	2020	2021	2022	2023	Thereafter
Intangible amortization expense	\$ 3,434	\$ 2,548	\$ 2,201	\$ 1,866	\$ 1,386	\$ —

Note 5. Commitments and Contingencies:

Obligations

The Company leases a corporate facility in Aurora, Illinois. This location houses corporate administration, sales, marketing and the CNS segment product distribution, engineering and manufacturing pursuant to a lease that originated in 1997 and ran through September 2017. The rental payments were \$2.1 million a year. During the fourth quarter of fiscal year 2017, the Company executed a three-year lease that began in October 2017 for a portion of the space in the current Aurora, Illinois headquarters facility.

In accordance with FASB Technical Bulletin 88-1, *Issues Related to Accounting of Leases*, as codified in ASC Topic 840, *Leases* (ASC 840), the Company recorded a long-term deferred lease liability of \$59,000 and \$4,000 presented in other long-term liabilities and a short-term deferred lease liability of \$4,000 and \$103,000 presented in accrued expenses on the Consolidated Balance Sheets as of March 31, 2018 and 2017, respectively, to account for the straight-line impact on the rental payments.

The ISMS segment leases an engineering and service center in Dublin, Ohio, which runs through 2019. The IBW segment leases a manufacturing and distribution center and an office in Manchester, New Hampshire. The IBW distribution center lease expired on April 30, 2018. The IBW office lease expires in the second quarter of fiscal 2019. The leases require the Company to pay utilities, insurance and real estate taxes on the facilities. Total rent expense for all facilities was \$0.9 million and \$1.2 million for fiscal years 2018 and 2017, respectively. In fiscal years 2018 and 2017, rent expense was offset by \$0.1 million and \$0.2 million of sublease income, respectively. In fiscal years 2018 and 2017, \$1.2 million and \$1.5 million of lease payments reduced accrued reorganization, respectively.

Future minimum lease obligations as of March 31, 2018 consisted of the following:

(in thousands)	2019	2020	2021	2022	Thereafter	Total
Future minimum lease payments for operating leases	751	734	342	—	—	1,827

A reserve for a net loss on firm purchase commitments of \$130,000 and \$146,000 is recorded on the balance sheet as Accrued expenses as of March 31, 2018 and 2017, respectively.

Litigation and Contingency Reserves

The Company and its subsidiaries are involved in various assertions, claims, proceedings and requests for indemnification concerning intellectual property, including patent infringement suits involving technologies that may be incorporated in the Company's products, which are being handled and defended in the ordinary course of business. These matters are in various stages of investigation and litigation, and they are being vigorously defended. Although the Company does not expect that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial condition or results of operations, litigation is inherently unpredictable. Therefore, judgments could be rendered, or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and it records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable. As of March 31, 2018 and March 31, 2017, the Company has not recorded any contingent liability attributable to existing litigation.

In the ordinary course of operations the Company receives claims where the Company believes an unfavorable outcome is possible and/or for which is probable and no estimate of possible losses can currently be made. A significant customer was a defendant in patent infringement claims and is asserting possible indemnity rights under contracts with the Company. The customer has settled one matter, which has been dismissed, and won summary judgment for all claims in the other. The customer has informed the Company that the customer intends to seek to recover from the Company a share of the settlement and defense costs. For the dismissed case, the customer provided an initial allocation of their defense costs in a range of up to \$160,000 at this time. The Company does not have a best estimate within the range or a true lower limit of the range, and therefore, we can only disclose the range. For the settled case, the Company has not been involved in any settlement discussions nor informed by the customer of any settlement details and therefore management is currently unable to estimate a range of potential loss associated with this claim with any degree of certainty, and the Company is not yet able to calculate the exposure of this claim, which will vary depending upon the settlement reached by the customer and the Company's contribution ratio.

The Company's three reportable segments are as follows:

In-Building Wireless (IBW) Segment

The IBW segment solutions enable cellular coverage in stadiums, arenas, malls, buildings, and other indoor areas not served well or at all by the existing "macro" outdoor cellular network. For commercial service, the IBW segment solutions include distributed antenna system (DAS) conditioners and digital repeaters. For the public safety market, the IBW segment solutions include half-watt and two-watt repeaters and a battery backup unit. The Company's IBW segment also offers ancillary products that consist of passive system components and antennas for both the commercial and public safety markets.

Intelligent Site Management and Services (ISMS) Segment

The ISMS segment solutions include a suite of remote units which provide machine-to-machine (M2M) communications that enable operators to remotely monitor, manage, and control site infrastructure and support systems. Remote units can be and often are combined with the Company's Optima management software system. The Company also offers support services (i.e., maintenance agreements) and deployment services (i.e., installation).

Communications Network Solutions (CNS) Segment

The CNS segment solutions include a broad range of outdoor network infrastructure offerings consisting of integrated cabinets, power distribution products, copper and fiber connectivity panels, T1 network interface units (NIUs), and tower mounted amplifiers (TMAs).

Note 14. Benefit Plans:

The Company sponsors a 401(k) benefit plan (the Westell Plan), which covers substantially all of Westell, Inc.'s domestic employees. The Westell Plan is a salary reduction plan that allows employees to defer up to 100% of wages subject to Internal Revenue Service limits. The Westell Plan also allows for Company discretionary and matching contributions. In January 2014, the Company established the matching contribution percentage made by the Company of 50% of participants' contributions, up to 4%. In October 2016, the Company established a prospective maximum employer match of \$500 per calendar year. Matching contribution expense in fiscal years 2018 and 2017 was approximately \$0.1 million and \$0.2 million, respectively.

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(In thousands)	Balance at Beginning of Year	Net Additions Charged to Cost and Expenses	Deductions	Balance at End of Year
2018				
Accounts receivable allowances	\$ 90	\$ 7	\$ (2) ⁽¹⁾	\$ 95
Reserve for excess and obsolete inventory and net realizable value	8,458	1,213	(6,109) ⁽²⁾	3,562
Deferred tax assets valuation allowance	52,190	—	(15,087) ⁽³⁾	37,103
Reserve for returns	82	329	(360)	51
2017				
Accounts receivable allowances	\$ 53	\$ 39	\$ (2) ⁽¹⁾	\$ 90
Reserve for excess and obsolete inventory and net realizable value	9,576	822	(1,940) ⁽²⁾	8,458
Deferred tax assets valuation allowance	46,683	5,507 ⁽³⁾	—	52,190
Reserve for returns	155	399	(472)	82

(1) Accounts written off, including early pay discounts, net of recoveries.

(2) Inventory loss charged against inventory reserves.

(3) Change in valuation allowance due to assessment of realizability of deferred tax assets and in fiscal year 2018 the impact of the Tax Act.

WESTELL TECHNOLOGIES, INC.

PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT FOR AWARD GRANTED TO ALFRED S. JOHN ON MAY 21, 2018

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT is granted by WESTELL TECHNOLOGIES, INC. (the “*Company*”) to Alfred S. John (the “*Participant*”) this 21st day of May 2018 (the “*Grant Date*”) pursuant to the Company’s 2015 Omnibus Incentive Compensation Plan (the “*Plan*”). The applicable terms of the Plan are incorporated herein by reference, including the definitions of terms contained therein.

WHEREAS, the Company believes it to be in the best interests of the Company and its stockholders for the Participant to have an incentive tied to the performance of the Company and the Company’s Class A Common Stock (the “*Common Stock*”) in order that the Participant will have a greater incentive to work for and manage the Company’s affairs in such a way that its shares may become more valuable; and

WHEREAS, the Company has determined to grant the Participant restricted stock units which assuming certain conditions and other requirements specified below are satisfied convert into shares of Common Stock pursuant to the terms of the Plan and this Agreement;

NOW, THEREFORE, in consideration of the premises and of the services to be performed by the Participant and other conditions required hereunder, the Company and the Participant intending to be legally bound hereby agree as follows:

1. **Restricted Stock Units Award.** The Company hereby grants to the Participant 50,000 “*Restricted Stock Units.*” The Restricted Stock Units granted under this Agreement are units that will be reflected in a book account maintained by the Company until the shares of Common Stock have been issued pursuant to Section 4 or have been forfeited. This Award is subject to the terms and conditions of this Agreement and the Plan.
 2. **Measurement of Performance Metrics.**
 - (a) The number of Restricted Stock Units that may become vested pursuant to the vesting calculation in Section 3 is determined based on revenue and Non-GAAP operating profit results (the “*Performance Metrics*”) as described on Exhibit 1 attached hereto. The measurement of the Performance Metrics is determined and calculated by comparing the Company’s actual revenue and Non-GAAP operating profit for the first, second, third, fourth, and combined first through fourth quarters of fiscal year 2019 to pre-established performance goals established by the Committee. For purposes of this Agreement, the Performance Targets shall be defined in Exhibit 1. Following the close of each fiscal quarter, the Committee will compare the Company’s performance to the pre-established performance goals to determine the number of points that are earned.
The Committee’s determination shall be final, conclusive and binding on the Company and the Participant.
 - (b)
 3. **Vesting of Award.**
 - (a) **Vesting Schedule.** The Restricted Stock Units shall become 100% vested and nonforfeitable when all of the following have occurred: (i) the first anniversary of the Grant Date; (ii) the Company’s audited financial statements are accepted by the Audit Committee; and (iii) the Committee has made a determination that the performance objective for the applicable period was achieved, which determination shall be final, conclusive and binding on the Company and the Participant.
 - (b) **Cancellation of Unvested Units.** Any portion of the Restricted Stock Units that do not fully vest in accordance with subsection (a) shall be cancelled and forfeited for no consideration.
 - (c) **Vesting Conditions and Provisions Applicable to Award.** The period of time during which the Restricted Stock Units are forfeitable is referred to as the “*Restricted Period.*” Except as provided in Section 6 if the Participant’s employment with the Company or one of its subsidiaries terminates during the Restricted Period
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for any reason, then the unvested Restricted Stock Units shall be forfeited to the Company on the date of such termination, without any further obligation of the Company to the Participant and all of the Participant's rights with respect to unvested Restricted Stock Units shall terminate.

4. **Conversion of the Restricted Stock Units to Common Stock.** Immediately following the vesting of Restricted Stock Units under Section 3, the Company shall issue to the Participant a certificate representing one share of Common Stock for each Restricted Stock Unit becoming vested. The Company shall not be required to issue fractional shares of Common Stock upon the settlement of the Restricted Stock Units.

5. **Rights During the Restricted Period.** Prior to vesting as described in Section 3, the Participant will not receive any certificates with respect to the Restricted Stock Units and will not have any right to vote the Restricted Stock Units. The Participant will not be deemed a stockholder of the Company with respect to any of the Restricted Stock Units. The Restricted Stock Units may not be sold, assigned, transferred, pledged, encumbered or otherwise disposed of prior to vesting. After Restricted Stock Units are converted to shares of Common Stock, the Participant shall receive a cash payment or payments from the Company equal to any cash dividends paid with respect to the number of shares of Restricted Stock relating to Restricted Stock Units that are earned hereunder during the period beginning with the date of Award through the date the shares of Common Stock become issued and outstanding.

6. **Change in Control.**

(a) Notwithstanding the provisions of Section 3, in the event of a Triggering Event or a termination of Participant's employment by the Company or one of its subsidiaries without Cause no more than three months prior to and in anticipation of a Change in Control, the Participant will become immediately vested in all Restricted Stock Units.

(b) For purposes of this Agreement, "***Change in Control***", "***Triggering Event***" and "***Cause***" have the following meaning:

(i) A "***Change in Control***" of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

(A) the consummation of the purchase by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended, except the Voting Trust (together with its affiliates) formed pursuant to the Voting Trust Agreement dated February 23, 1994, as amended, among Robert C. Penny III and Melvin J. Simon, as co-trustees, and certain members of the Penny family and the Simon family, of ownership of shares representing more than 50% of the combined voting power of the Company's voting securities entitled to vote generally (determined after giving effect to the purchase);

(B) a reorganization, merger or consolidation of the Company, in each case, with respect to which persons who were shareholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own 50% or more of the combined voting power entitled to vote generally of the Company or the surviving or resulting entity (as the case may be); or

(C) a sale of all or substantially all of the Company's assets, except that a Change in Control shall not exist under this clause (C) if the Company or persons who were shareholders of the Company immediately prior to such sale continue to collectively own 50% or more of the combined voting power entitled to vote generally of the acquirer; or

(D) any other transaction the Administrator, in its sole discretion specifies in writing.

(ii) A "***Triggering Event***" shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

(A) the Participant resigns from and terminates his employment with the Company for Good Reason following a Change in Control by notifying the Company or its successor within

ninety (90) days after the initial occurrence of the event constituting Good Reason specifying in reasonable detail the basis for the Good Reason.

(B) the Company or its successor terminates the Participant's employment with the Company without Cause within two years of the date on which a Change in Control occurred.

(iii) "**Good Reason**" means that concurrent with or within twelve months following a Change in Control, the Participant's base salary is reduced or the Participant's total compensation and benefits package is materially reduced without the Participant's written approval, or the Participant's primary duties and responsibilities prior to the Change in Control are materially reduced or modified in such a way as to be qualitatively beneath the duties and responsibilities befitting of a person holding a similar position with a company of comparable size in the Company's business in the United States, without the Participant's written approval (other than may arise as a result of the Company ceasing to be a reporting company under the Exchange Act or ceasing to be listed on NASDAQ), or the Participant is required, without his consent, to relocate his principal office to a location, or commence principally working out of another office located, more than 30 miles from the Company's office which represented the Participant's principal work location.

(iv) "**Cause**" means (A) the failure by the Participant to comply with a particular directive or request from the Board of the Company regarding a matter material to the Company, and the failure thereafter by the Participant to reasonably address and remedy such noncompliance within thirty (30) days (or such shorter period as shall be reasonable or necessary under the circumstances) following the Participant's receipt of written notice from the Board confirming the Participant's noncompliance; (B) the taking of an action by the Participant regarding a matter material to the Company, which action the Participant knew at the time the action was taken to be specifically contrary to a particular directive or request from the Board, (C) the failure by the Participant to comply with the written policies of the Company regarding a matter material to the Company, including expenditure authority, and the failure thereafter by the Participant to reasonably address and remedy such noncompliance within thirty (30) days (or such shorter period as shall be reasonable or necessary under the circumstances) following the Participant's receipt of written notice from the Board confirming the Participant's noncompliance, but such opportunity to cure shall not apply if the failure is not curable; (D) the Participant's engaging in willful, reckless or grossly negligent conduct or misconduct which, in the good faith determination of the Company's Board, is materially injurious to the Company monetarily or otherwise; (E) the aiding or abetting a competitor or other breach by the Participant of his fiduciary duties to the Company; (F) a material breach by the Participant of his obligations of confidentiality or nondisclosure or (if applicable) any breach of the Participant's obligations of noncompetition or nonsolicitation under any agreement between the Participant and the Company; (G) the use or knowing possession by the Participant of illegal drugs on the premises of the Company; or (H) the Participant is convicted of, or pleads guilty or no contest to, a felony or a crime involving moral turpitude.

(c) Solely for purposes of the definitions of "**Triggering Event**", "**Good Reason**" and "**Cause**" under this Section 6 (and not for purposes of the definition of "**Change in Control**" hereunder), the Company shall be deemed to include any of Westell Technologies, Inc.'s direct and indirect subsidiary companies and the term Board shall be deemed to include the Board of Directors of any such subsidiary.

7. **Interpretation by Administrator.** The Participant agrees that any dispute or disagreement that may arise in connection with this Agreement shall be resolved by the Administrator, in its sole discretion, and that any interpretation by the Administrator of the terms of this Agreement, the Award or the Plan and any determination made by the Administrator under this Agreement or such plan may be made in the sole discretion of the Administrator.

8. **Miscellaneous.**

(a) This Agreement shall be governed and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed therein between residents thereof.

(b) This Agreement may not be amended or modified except by the written consent of the parties hereto.

(c) The captions of this Agreement are inserted for convenience of reference only and shall not be taken into account in construing this Agreement.

(d) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Participant, the Beneficiary and the personal representative(s) and heirs of the Participant, except that the Participant may not transfer any interest in any Restricted Stock Units prior to the release of the restrictions imposed by Sections 3 and 5. Additionally, Participant's stock must be held in accordance with the Stock Retention Policy applicable at the time of vesting.

(e) These awards are subject to the terms of the Company's claw back policies, as may be adopted or amended from time to time.

[The remainder of this page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have, personally or by a duly authorized representative, executed this Agreement as of the Grant Date first above written.

Westell Technologies, Inc.

By: /s/ Thomas P. Minichiello

Name: Thomas P. Minichiello

Title: Chief Financial Officer

/s/ Alfred S. John

Name (Printed): Alfred S. John

WESTELL TECHNOLOGIES, INC.

FORM of RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT is granted by WESTELL TECHNOLOGIES, INC. (the "*Company*") to Alfred S. John (the "*Participant*") this 21st day of May 2018 (the "*Grant Date*") pursuant to the Company's 2015 Omnibus Incentive Compensation Plan (the "*Plan*"). The applicable terms of the Plan are incorporated herein by reference, including the definitions of terms contained therein.

WHEREAS, the Company believes it to be in the best interests of the Company and its stockholders for its officers and other Participants to have an incentive tied to the price of the Company's Class A Common Stock (the "*Common Stock*") in order that they will have a greater incentive to work for and manage the Company's affairs in such a way that its shares may become more valuable; and

WHEREAS, the Company has determined to grant the Participant restricted stock units which assuming certain conditions and other requirements specified below are satisfied convert into shares of Common Stock pursuant to the terms of the Plan and this Agreement;

NOW, THEREFORE, in consideration of the premises and of the services to be performed by the Participant and other conditions required hereunder, the Company and the Participant intending to be legally bound hereby agree as follows:

1. Restricted Stock Units Award. The Company hereby grants to the Participant 50,000 "*Restricted Stock Units*". The Restricted Stock Units granted under this Agreement are units that will be reflected in a book account maintained by the Company until the shares of Common Stock have been issued pursuant to Section 3 or have been forfeited. This Award is subject to the terms and conditions of this Agreement and the Plan.

2. Vesting of Award.

(i) Vesting Schedule. The Restricted Stock Units will vest according to the following schedule, with respect to each installment shown in the schedule, on and after the vesting date applicable to such installment:

Installment	Vesting Date Applicable to Installment
33% of the Award	First anniversary of grant
Next 33% of the Award	Second anniversary of grant
Final 34% of the Award	Third anniversary of grant

(ii) Vesting Conditions and Provisions Applicable to Award. The period of time during which the Restricted Stock Units are forfeitable is referred to as the "*Restricted Period*". Except as provided in Section 5 if the Participant's employment with the Company or one of its subsidiaries terminates during the Restricted Period for any reason, then the unvested Restricted Stock Units shall be forfeited to the Company on the date of such termination, without any further

obligation of the Company to the Participant and all of the Participant's rights with respect to unvested Restricted Stock Units shall terminate.

3. Conversion of the Restricted Stock Units to Common Stock. Immediately following the vesting of Restricted Stock Units under Section 2, the Company shall issue to the Participant a certificate representing one share of Common Stock for each Restricted Stock Unit becoming vested. The Company shall not be required to issue fractional shares of Common Stock upon the settlement of the Restricted Stock Units.

4. Rights During the Restricted Period. Prior to vesting as described in Section 2, the Participant will not receive any certificates with respect to the Restricted Stock Units and will not have any right to vote the Restricted Stock Units. The Participant will not be deemed a stockholder of the Company with respect to any of the Restricted Stock Units. The Restricted Stock Units may not be sold, assigned, transferred, pledged, encumbered or otherwise disposed of prior to vesting. After Restricted Stock Units are converted to shares of Common Stock, the Participant shall receive a cash payment or payments from the Company equal to any cash dividends paid with respect to the number of shares of Restricted Stock relating to Restricted Stock Units that are earned hereunder during the period beginning with the date of Award through the date the shares of Common Stock become issued and outstanding.

5. Change in Control.

(a) Notwithstanding the provisions of Section 2, in the event of a Triggering Event or a termination of Participant's employment by the Company or one of its subsidiaries without Cause no more than three months prior to and in anticipation of a Change in Control, the Participant will become immediately vested in all Restricted Stock Units.

(b) For purposes of this Agreement, "Change in Control", "Triggering Event" and "Cause" have the following meaning:

(i) A "**Change in Control**" of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

(A) the consummation of the purchase by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended, except the Voting Trust (together with its affiliates) formed pursuant to the Voting Trust Agreement dated February 23, 1994, as amended, among Robert C. Penny III and Melvin J. Simon, as co-trustees, and certain members of the Penny family and the Simon family, of ownership of shares representing more than 50% of the combined voting power of the Company's voting securities entitled to vote generally (determined after giving effect to the purchase);

(B) a reorganization, merger or consolidation of the Company, in each case, with respect to which persons who were shareholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own 50% or more of the combined voting power entitled to vote generally of the Company or the surviving or resulting entity (as the case may be);

(C) a sale of all or substantially all of the Company's assets, except that a Change in Control shall not exist under this clause (C) if the Company or persons who were shareholders of the Company immediately prior

to such sale continue to collectively own 50% or more of the combined voting power entitled to vote generally of the acquirer; or

- (D) any other transaction the Administrator, in its sole discretion, specifies in writing.
- (ii) A "**Triggering Event**" shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
- (A) the Participant resigns from and terminates his employment with the Company for Good Reason following a Change in Control by notifying the Company or its successor within ninety (90) days after the initial occurrence of the event constituting Good Reason specifying in reasonable detail the basis for the Good Reason.
 - (B) the Company or its successor terminates the Participant's employment with the Company without Cause within two years of the date on which a Change in Control occurred.
- (iii) "**Good Reason**" means that concurrent with or within twelve months following a Change in Control, the Participant's base salary is reduced or the Participant's total compensation and benefits package is materially reduced without the Participant's written approval, or the Participant's primary duties and responsibilities prior to the Change in Control are materially reduced or modified in such a way as to be qualitatively beneath the duties and responsibilities befitting of a person holding a similar position with a company of comparable size in the Company's business in the United States, without the Participant's written approval (other than may arise as a result of the Company ceasing to be a reporting company under the Exchange Act or ceasing to be listed on NASDAQ), or the Participant is required, without his consent, to relocate his principal office to a location, or commence principally working out of another office located, more than 30 miles from the Company's office which represented the Participant's principal work location.
- (iv) "**Cause**" means (A) the failure by the Participant to comply with a particular directive or request from the Board of the Company regarding a matter material to the Company, and the failure thereafter by the Participant to reasonably address and remedy such noncompliance within thirty (30) days (or such shorter period as shall be reasonable or necessary under the circumstances) following the Participant's receipt of written notice from the Board confirming the Participant's noncompliance; (B) the taking of an action by the Participant regarding a matter material to the Company, which action the Participant knew at the time the action was taken to be specifically contrary to a particular directive or request from the Board, (C) the failure by the Participant to comply with the written policies of the Company regarding a matter material to the Company, including expenditure authority, and the failure thereafter by the Participant to reasonably address and remedy such noncompliance within thirty (30) days (or such shorter period as shall be reasonable or necessary under the circumstances) following the Participant's receipt of written notice
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from the Board confirming the Participant's noncompliance, but such opportunity to cure shall not apply if the failure is not curable; (D) the Participant's engaging in willful, reckless or grossly negligent conduct or misconduct which, in the good faith determination of the Company's Board, is materially injurious to the Company monetarily or otherwise; (E) the aiding or abetting a competitor or other breach by the Participant of his fiduciary duties to the Company; (F) a material breach by the Participant of his obligations of confidentiality or nondisclosure or (if applicable) any breach of the Participant's obligations of noncompetition or nonsolicitation under any agreement between the Participant and the Company; (G) the use or knowing possession by the Participant of illegal drugs on the premises of the Company; or (H) the Participant is convicted of, or pleads guilty or no contest to, a felony or a crime involving moral turpitude.

- (c) Solely for purposes of the definitions of "Triggering Event", "Good Reason" and "Cause" under this Section 5 (and not for purposes of the definition of "Change in Control" hereunder), the Company shall be deemed to include any of Westell Technologies, Inc.'s direct and indirect subsidiary companies and the term Board shall be deemed to include the Board of Directors of any such subsidiary.

6. Interpretation by Administrator. The Participant agrees that any dispute or disagreement that may arise in connection with this Agreement shall be resolved by the Administrator, in its sole discretion, and that any interpretation by the Administrator of the terms of this Agreement, the Award or the Plan and any determination made by the Administrator under this Agreement or such plan may be made in the sole discretion of the Administrator.

7. Miscellaneous.

- (a) This Agreement shall be governed and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed therein between residents thereof.
 - (b) This Agreement may not be amended or modified except by the written consent of the parties hereto.
 - (c) The captions of this Agreement are inserted for convenience of reference only and shall not be taken into account in construing this Agreement.
 - (d) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Participant, the Beneficiary and the personal representative(s) and heirs of the Participant, except that the Participant may not transfer any interest in any Restricted Stock Units prior to the release of the restrictions imposed by Sections 2 and 4.
 - (e) In addition to the terms noted above, Participant's stock must be held in accordance with the Stock Retention Policy applicable at the time of vesting.
 - (f) These awards are subject to the terms of the Company's claw back policies, as may be adopted or amended from time to time.
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IN WITNESS WHEREOF, the parties hereto have, personally or by a duly authorized representative, executed this Agreement as of the Grant Date first above written.

Westell Technologies, Inc.

By: /s/ Thomas P. Minichiello

Name (printed): Thomas P. Minichiello

Title: Chief Financial Officer

/s/ Alfred S. John

Name (printed): Alfred S. John

WESTELL TECHNOLOGIES, INC.

NON-QUALIFIED STOCK OPTION

THIS NON-QUALIFIED STOCK OPTION, dated as set forth in the attached Memorandum is granted by WESTELL TECHNOLOGIES, INC. (the "Company"), to the Employee as set forth in the attached Memorandum (the "Employee") pursuant to the Company's 2015 Omnibus Incentive Compensation Plan (the "Plan").

1. **OPTION GRANT**

The Company hereby grants to the Employee an option to purchase total shares as set forth in the attached Memorandum of Class A Common Stock of the Company at an option price per share as set forth in the attached Memorandum. This option is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. **TIME OF EXERCISE**

This option may be exercised (in the manner described in paragraph 4 hereof) in whole or in part, at any time and from time to time, subject to the following limitations:

(a) this option may not be exercised to any extent until the first anniversary of the Date of Grant. This option may be exercised to a maximum cumulative extent of 33% of the total shares covered hereby on and after the first anniversary of the Date of Grant; 66% of the total shares commencing on and after the second anniversary of the Date of Grant; 100% of the total shares commencing on and after the third anniversary of the Date of Grant. In the event that the Employee's employment with the Company or a subsidiary terminates by reason of total disability or death prior to the third anniversary of the Date of Grant, then the portion of the option which may be exercised shall be determined as if the Employee remained an employee of the Company until the next anniversary of the Date of Grant.

(b) For these purposes, employment shall be deemed to continue after termination of full-time employment for any period during which the Employee remains a part-time employee of the Company or a consultant to the Company as determined by the sole discretion of the Administrator.

(c) This option may not be exercised:

(i) more than three months after the termination of the Employee's employment with the Company or a subsidiary for any reason other than retirement, total disability or death; or

(ii) more than twelve months after termination of employment by reason of retirement, total disability or death; or

(iii) more than seven years from the Date of Grant.

For these purposes retirement and total disability shall be determined in accordance with the established policies of the Company. This option may be exercised during the indicated periods following termination of employment only to the extent permitted pursuant to paragraphs 2(a) and (b) hereof.

3. Change in Control and Limitations on Sales.

(a) Notwithstanding the provisions of paragraph 2, in the event of a Triggering Event or a termination of Participant's employment by the Company or one of its subsidiaries without Cause no more than three months prior to and in anticipation of a Change in Control, the Participant will become immediately vested in all Stock Options.

(b) For purposes of this Agreement, "Change in Control", "Triggering Event" and "Cause" have the following meaning:

(i) A "Change in Control" of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

- (1) the consummation of the purchase by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended, except the Voting Trust (together with its affiliates) formed pursuant to the Voting Trust Agreement dated February 23, 1994, as amended, among Robert C. Penny III and Melvin J. Simon, as co-trustees, and certain members of the Penny family and the Simon family, of ownership of shares representing more than 50% of the combined voting power of the Company's voting securities entitled to vote generally (determined after giving effect to the purchase);
- (2) a reorganization, merger or consolidation of the Company, in each case, with respect to which persons who were shareholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own 50% or more of the combined voting power entitled to vote generally of the Company or the surviving or resulting entity (as the case may be);
- (3) a sale of all or substantially all of the Company's assets, except that a Change in Control shall not exist under this clause (C) if the Company or persons who were shareholders of the Company immediately prior to such sale continue to collectively own 50% or more of the combined voting power entitled to vote generally of the acquirer; or
- (4) any other transaction the Administrator, in its sole discretion, specifies in writing.

(ii) A "Triggering Event" shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

- (1) the Participant resigns from and terminates his employment with the Company for Good Reason following a Change in Control by notifying the Company or its successor within ninety (90) days after the initial
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occurrence of the event constituting Good Reason specifying in reasonable detail the basis for the Good Reason.

- (2) the Company or its successor terminates the Participant's employment with the Company without Cause within two years of the date on which a Change in Control occurred.

(iii) "Good Reason" means that concurrent with or within twelve months following a Change in Control, the Participant's base salary is reduced or the Participant's total compensation and benefits package is materially reduced without the Participant's written approval, or the Participant's primary duties and responsibilities prior to the Change in Control are materially reduced or modified in such a way as to be qualitatively beneath the duties and responsibilities befitting of a person holding a similar position with a company of comparable size in the Company's business in the United States, without the Participant's written approval (other than may arise as a result of the Company ceasing to be a reporting company under the Exchange Act or ceasing to be listed on NASDAQ), or the Participant is required, without his consent, to relocate his principal office to a location, or commence principally working out of another office located, more than 30 miles from the Company's office which represented the Participant's principal work location.

(iv) "Cause" means (A) the failure by the Participant to comply with a particular directive or request from the Board of the Company regarding a matter material to the Company, and the failure thereafter by the Participant to reasonably address and remedy such noncompliance within thirty (30) days (or such shorter period as shall be reasonable or necessary under the circumstances) following the Participant's receipt of written notice from the Board confirming the Participant's noncompliance; (B) the taking of an action by the Participant regarding a matter material to the Company, which action the Participant knew at the time the action was taken to be specifically contrary to a particular directive or request from the Board, (C) the failure by the Participant to comply with the written policies of the Company regarding a matter material to the Company, including expenditure authority, and the failure thereafter by the Participant to reasonably address and remedy such noncompliance within thirty (30) days (or such shorter period as shall be reasonable or necessary under the circumstances) following the Participant's receipt of written notice from the Board confirming the Participant's noncompliance, but such opportunity to cure shall not apply if the failure is not curable; (D) the Participant's engaging in willful, reckless or grossly negligent conduct or misconduct which, in the good faith determination of the Company's Board, is materially injurious to the Company monetarily or otherwise; (E) the aiding or abetting a competitor or other breach by the Participant of his fiduciary duties to the Company; (F) a material breach by the Participant of his obligations of confidentiality or nondisclosure or (if applicable) any breach of the Participant's obligations of noncompetition or nonsolicitation under any agreement between the Participant and the Company; (G) the use or knowing possession by the Participant of illegal drugs on the premises of the Company; or (H) the Participant is convicted of, or pleads guilty or no contest to, a felony or a crime involving moral turpitude.

(c) Solely for purposes of the definitions of "Triggering Event", "Good Reason" and "Cause" under this paragraph 3 (and not for purposes of the definition of "Change in Control" hereunder), the Company shall be deemed to include any of Westell Technologies, Inc.'s direct and indirect subsidiary companies and the term Board shall be deemed to include the Board of Directors of any such subsidiary.

(d) Notwithstanding the provisions in the paragraphs above, Participant's stock must be held in accordance with the Stock Retention Policy applicable at the time of vesting.

4. METHOD OF EXERCISE

This option may be exercised only by appropriate notice in writing delivered to the Secretary of the Company and accompanied by:

(a) a check payable to the order of the Company for the full purchase price of the shares purchased and any required tax withholding, and

(b) such other documents or representations as the Company may reasonably request in order to comply with securities, tax or other laws then applicable to the exercise of the option.

Payment of the purchase price may be made in whole or in part by the delivery of shares of Common Stock owned by the Employee or by certification of the Employee's ownership of such shares), valued at fair market value on the date of exercise. The Employee may satisfy any tax withholding obligation in whole or in part by electing to have the Company retain option shares, having a fair market value on the date of exercise equal to the amount required to be withheld.

5. CONDITIONS

I agree that I shall not within twelve months following my resignation of employment with the Company engage in any Competitive Activity, without prior written consent of the Board of the Company (which may be given or denied in its sole discretion). Competitive Activity means any service to a competitor related to the work I have done at Westell or with knowledge of confidential information gained at Westell.

6. NON-TRANSFERABILITY; DEATH

This option is not transferable by the Employee otherwise than by will or the laws of descent and distribution and is exercisable during the Employee's lifetime only by the Employee. If the Employee dies during the option period, this option may be exercised in whole or in part and from time to time, in the manner described in paragraph 3 hereof, by the Employee's estate or the person to whom the option passes by will or the laws of descent and distribution, but only within a period of (a) twelve months after the Employee's death or (b) seven years from the Date of Grant, whichever period is shorter. At the discretion of the Administrator, this option may be transferred to members of the Employee's immediate family or trusts or family partnerships for the benefit of such persons, subject to terms and conditions established by the Administrator.

7. These awards are subject to the terms of the Company's claw back policies, as may be adopted or amended from time to time.

* * *

IN WITNESS WHEREOF, the Company has caused the execution hereof by its duly authorized officer and Employee has agreed to the terms and conditions of this option, all as of the date first above written.
WESTELL TECHNOLOGIES, INC.

/s/ Thomas P. Minichiello

By _____

Alfred S. John

Employee Name

/s/ Alfred S. John

Employee Signature

**NOTICE OF GRANT OF STOCK OPTION FOR THE PURCHASE OF
CLASS A COMMON STOCK**

Name: Alfred S. John

You have received a grant with the following parameters:

Plan Name: Westell Technologies, Inc. 2015 Omnibus Incentive Compensation Plan

Award Number: 10125

Shares Granted: 100,000

Exercise Price: \$3.14

Award Type: NQSO

Award Date: 05/21/2018

Vesting Schedule: 33.3% on 05/21/2019

33.3% on 05/21/2020

33.4% on 05/21/2021

Expiration Date: 05/21/2025

If you have any questions, contact Tom Minichiello at 630-375-4740. By affixing your signature to the bottom of this Notice, you acknowledge receipt of a copy of the Agreement and the Plan to which the Agreement and this Stock Option Grant is subject and agree that the Options Granted hereunder shall be subject to such Plan and Agreement and shall be governed by their terms and provisions.

Westell Technologies, Inc.

By: /s/ Thomas P. Minichiello

Name (printed): Thomas P. Minichiello

Title: Chief Financial Officer

/s/ Alfred S. John

Name (Printed): Alfred S. John

SUBSIDIARIES OF REGISTRANT

Subsidiary	Jurisdiction of Incorporation
Westell, Inc.	Illinois
Noran Tel, Inc.	Saskatchewan

Consent of Independent Registered Public Accounting Firm

We have issued our report dated May 25, 2018, with respect to the consolidated financial statements and schedule included in the Annual Report of Westell Technologies, Inc. on Form 10-K for the year ended March 31, 2018. We consent to the incorporation by reference of said report in the Registration Statements of Westell Technologies, Inc. on Forms S-3 (File No. 333- 79407 and File No. 333-100625) and on Forms S-8 (File No. 333-206974, File No. 333-155211, File No. 333-32646, File No. 333-105926, and File No. 333-119620).

/s/ GRANT THORNTON LLP

Chicago, Illinois
May 25, 2018

CERTIFICATION

I, Alfred S. John, certify that:

- (1) I have reviewed this annual report on Form 10-K for the period ended March 31, 2018 of the Company;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- (4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- (5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 25, 2018

/s/ ALFRED S. JOHN

Alfred S. John

Chief Executive Officer

CERTIFICATION

I, Thomas P. Minichiello, certify that:

- (1) I have reviewed this annual report on Form 10-K for the period ended March 31, 2018 of the Company;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- (4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- (5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 25, 2018

/s/ THOMAS P. MINICHELLO

Thomas P. Minichiello
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Westell Technologies, Inc. (the "Company") on Form 10-K for the fiscal period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on their knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of and for the periods covered in the Report.

/s/ ALFRED S. JOHN

Alfred S. John
May 25, 2018

/s/ THOMAS P. MINICHELLO

Thomas P. Minichiello
May 25, 2018

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.